

TELENOR ASA
Form 20-F/A
June 29, 2006

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**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**FORM 20-F/A
(Amendment No. 2)**

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number: 0-31054

Telenor ASA

(Exact name of Registrant as specified in its charter)

Norway

(Jurisdiction of incorporation or organization)

Snarøyveien 30, N-1331 Fornebu, Norway

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act: None

Securities registered or to be registered pursuant to Section 12(g) of the Act: Ordinary Shares, nominal value NOK 6.00 per share

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

The number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2005: 1,706,570,293 Ordinary Shares, nominal value NOK 6.00 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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EXPLANATORY NOTE

This Amendment No. 2 on Form 20-F/A is provided solely to correct a typographical error that appeared within the certifications of Trond Ø. Westlie and Jon Fredrik Baksaas pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18 of the United States Code). The certifications were furnished with the Form 20-F on April 6, 2006.

The typographical error occurred in the preparation of the final electronic version of the Form 20-F prior to the transmission of the Form 20-F to the Securities and Exchange Commission via the EDGAR system.

Certifications with original signatures of Mr. Westlie and Mr. Baksaas dated April 6, 2006 exist and do not contain this typographical error.

This Amendment No. 2 on Form 20-F/A makes no changes to the financial statements of Telenor ASA as contained in the Form 20-F as filed on April 6, 2006. Other than as set forth above, this Form 20-F/A does not, and does not purport to, amend, update or restate the information in any other Item of the Form 20-F or reflect any events that have occurred after the Form 20-F was filed on April 6, 2006.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Telenor publishes its financial statements in Norwegian Krone (NOK). Unless otherwise indicated, all amounts in this annual report are expressed in Norwegian Krone. In connection with Telenor s international operations, certain amounts denominated in foreign currencies have been translated into Norwegian Krone, in accordance with Telenor s accounting principles as described in our consolidated financial statements that form part of this report under the heading Summary of Significant Accounting Principles Foreign currency translation and Derivative financial instruments and hedging except where otherwise noted. These translations should not be construed as representations that the amounts referred to actually represent such translated amounts or could be converted into the translated currency at the rate indicated.

Telenor s annual audited consolidated financial statements as prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) differ in certain respects from U.S. GAAP. For a reconciliation of the material differences between IFRS and U.S. GAAP as they relate to Telenor, see note 38 to our consolidated financial statements.

As used in this annual report, the terms Telenor , we or us , unless the context otherwise requires, refer to Telenor ASA and its consolidated subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that involve risks and uncertainties. In addition, other written or oral statements which constitute forward-looking statements have been made and may in the future be made by or on behalf of Telenor. In this annual report, such forward-looking statements include, without limitation, statements relating to (1) the implementation of strategic initiatives, (2) the development of revenues overall and within specific business areas, (3) the development of operating expenses, (4) the development of personnel expenses, (5) expenses incurred in the development of associated companies, (6) the anticipated level of capital expenditures and associated depreciation and amortization expense, and (7) other statements relating to Telenor s future business development and economic performance. The words anticipate , believe , expect , estimate , intend , plan and similar expressions identify certain of these forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements because actual events and results may differ materially from the expected results described by such forward-looking statements.

Many factors may influence Telenor s actual results and cause them to differ materially from expected results as described in forward-looking statements. These factors include the following:

the level of demand for our services, particularly with regard to mobile communications services, fixed telephony, Internet, pay television services, and other newer products and services;

actions of our competitors;

regulatory developments, including changes to our permitted tariffs, the terms of access to our network, the terms of interconnection and other issues; and

the success of our international investments and expansion programs.

Telenor disclaims any intention or obligation to update and revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1: IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2: OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3: KEY INFORMATION**SELECTED CONSOLIDATED FINANCIAL AND STATISTICAL DATA**

The following tables set forth summary consolidated financial and statistical data of Telenor. They should be read together with Item 5: Operating and Financial Review and Prospects and our consolidated financial statements, including the notes to those financial statements included in this report.

From January 1, 2005, as required by the European Union's IAS Regulation and the Companies Act 1985, we have prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). IFRS as adopted by the EU differ in certain respects from IFRS as issued by the International Accounting Standards Board (IASB). However, the consolidated financial statements for the periods presented would be no different had Company applied IFRS as issued by the IASB. References to IFRS hereafter should be construed as references to IFRS as adopted by the EU. Comparative figures are prepared for 2004.

Solely for the convenience of the reader, the financial data at and for the twelve months ended December 31, 2005 have been translated into U.S. dollars at the rate of NOK 6.7444 to USD 1.00, the noon buying rate on December 30, 2005

	Year ended December 31,					
	2001	2002	2003	2004	2005	2005
	(NOK)	(NOK)	(NOK)	(NOK)	(NOK)	(USD)
	(in millions, except per share amounts)					
Income Statement Data						
Revenues				60,591	68,927	10,220
Operating expenses(1)				53,224	57,222	8,484
Operating profit				7,367	11,705	1,736
Share of profit in associated Companies				986	1,233	183
Profit from continuing operations				7,413	9,138	1,355
Profit (loss) from discontinued operations(2)					(4)	(1)
Profit from total operations				7,413	9,134	1,354
Attributable to:						
Non-controlling interests (minority interests)				1,320	1,488	220
Equity holders of Telenor ASA (net income)				6,093	7,646	1,134
Earnings per share from continuing operations						
basic				3.49	4.47	0.66
Earnings per share from continuing operations						
diluted				3.48	4.47	0.66
Earnings per share from total operations basic				3.49	4.47	0.66
Earnings per share from total operations diluted				3.48	4.47	0.66
Dividends per share(3)				1.50	2.00	0.30
Weighted average number of shares (in millions of shares) primary				1,748	1,711	

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	Year ended December 31,					
	2001	2002	2003	2004	2005	2005
	(NOK)	(NOK)	(NOK)	(NOK)	(NOK)	(USD)
	(in millions, except per share amounts)					
Weighted average number of shares (in millions of shares) diluted				1,749	1,712	
U.S. GAAP						
Revenues	40,581	47,879	52,826	67,801	70,352	10,431
Net income from continuing operations (excluding Telenor Media)	1,889					
Net income	7,004	(3,658)	5,036	5,639	7,427	1,101
Net income per share from continuing operations (excluding Telenor Media)	1,066					
Net income per share cumulative effect on prior years (prior to December 31, 2001) of change in accounting principles	0,033		(0.10)			
Net income per share primary (excluding treasury shares)	3.95	(2.06)	2.84	3.22	4.34	0.64
Net income per share diluted (excluding treasury shares)	3.95	(2.06)	2.84	3.22	4.34	0.64

(1) Including depreciation, amortization and writedowns.

(2) Dividends in respect of 2005 will be paid in June 2006.

(3) Assets and liabilities held for sale in United Communication Industry plc (UCOM), excluding our ownership interests in Total Access Communications (DTAC) and the holding of interest bearing liabilities, were reported as discontinued operations as of December 31, 2005. Please see note 1 to our consolidated financial statements for more information.

	Year ended December 31,					
	2001	2002	2003	2004	2005	2005
	(NOK)	(NOK)	(NOK)	(NOK)	(NOK)	(USD)
	(in millions)					
Balance Sheet Data						
IFRS						
Total non current assets				73,181	98,646	14,626
Total current assets				18,215	25,749	3,818
Total assets				91,396	124,395	18,444
Equity attributable to equity holders of Telenor ASA				40,122	46,399	6,879
				3,946	7,134	1,058

Non-controlling interests (Minority interests)						
Total equity				44,068	53,533	7,937
Total non-current liabilities				26,655	33,756	5,005
Total current liabilities				20,673	37,106	5,502
Total equity and liabilities				91,396	124,395	18,444
<i>U.S. GAAP</i>						
Total assets	90,129	97,511	101,088	101,171	131,384	19,480
Non-current interest-bearing liabilities	20,978	30,275	39,255	34,882	38,643	5,730
Shareholders equity	42,944	35,799	42,535	42,430	47,457	7,037

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	Year ended December 31,					
	2001	2002	2003	2004	2005	2005
	(NOK)	(NOK)	(NOK)	(NOK)	(NOK)	(USD)
Cash Flow						
IFRS						
Net cash flow from operating activities				18,991	22,340	3,312
Net cash flow from investment activities				(13,031)	(19,998)	(2,965)
Net cash flow from financing activities				(8,255)	(832)	(123)

	Year ended December 31,					
	2001	2002	2003	2004	2005	2005
	(NOK)	(NOK)	(NOK)	(NOK)	(NOK)	(USD)
Investments and EBITDA						
IFRS						
Capital Expenditure(1)				12,745	16,439	2,437
Investment in businesses(2)				5,809	8,858	1,313
EBITDA(3)				21,535	23,836	3,534

(1) Capital expenditure (Capex) is investment in property, plant and equipment and intangible assets.

(2) Investments in businesses are acquisitions of non-current shares and participations, including acquisitions of subsidiaries.

(3) For the definition and discussion of EBITDA and the reconciliation of EBITDA to profit from total operations, you should read Item 5: Operating and Financial Review and Prospects Operating profit and EBITDA.

	Year ended December 31,				
	2001	2002	2003	2004	2005
Other Operating Data					
Mobile telephony (digital) subscriptions in					
Telenor Mobile (Norway), period end (000s):					
Contract	1,210	1,215	1,228	1,395	1,509
Prepaid	1,027	1,115	1,099	1,228	1,222
Mobile telephony (digital) subscriptions in					
Sonofon (Denmark), period end (000s):					
Contract				813	859
Prepaid				462	425

Mobile telephony (digital) subscriptions in

Telenor Mobile Sweden period end (000s)

Contract	37	48	47
Prepaid	44	57	48

Mobile telephony (digital) subscriptions in

Kyivstar (Ukraine), period end (000s):

Contract	384	534	720	1,024
Prepaid	1,472	2,503	5,532	12,901

Mobile telephony (digital) subscriptions in

Pannon GSM (Hungary), period end (000s):

Contract	540	595	779	1,025
Prepaid	1,910	2,023	1,991	1,904

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	Year ended December 31,				
	2001	2002	2003	2004	2005
Mobile telephony (digital) subscriptions in					
DTAC (Thailand), period end (000s):					
Contract					1,465
Prepaid					7,212
Mobile telephony (digital) subscriptions in					
DiGi.Com (Malaysia), period end (000s):					
Contract	137	97	106	175	354
Prepaid	902	1,519	2,101	3,067	4,441
Mobile telephony (digital) subscriptions in					
GrameenPhone (Bangladesh), period end (000s):					
Contract	185	206	242	296	383
Prepaid	279	563	899	2,092	5,159
Mobile telephony (digital) subscriptions in					
Telenor Pakistan, period end (000s):					
Contract and prepaid					1,868
Mobile telephony (digital) subscriptions in					
ProMonte GSM (Montenegro) period end (000s):					
Contract				44	45
Prepaid				235	265
Fixed Norway					
Fixed telephony access channels in Norway,					
period end (000s):					
Analog (PSTN)	1,545	1,467	1,308	1,182	1,089
Digital (ISDN)	1,766	1,828	1,682	1,449	1,227
Fixed telephony traffic in Norway (in millions of					
minutes):					
National calls, excluding Internet traffic	10,567	9,457	8,203	7,007	5,760
Internet traffic	6,067	5,293	4,619	3,577	2,081
Calls to mobile	1,412	1,499	1,442	1,362	1,332
International	383	378	340	308	277
Value-added services and directory calls, etc.	624	710	781	772	620
Internet, period end (000s):					
Internet subscriptions, residential market Norway	394	427	457	527	579
of which xDSL	23	90	163	286	414
xDSL business subscriptions, Norway	1	4	14	40	61
Broadcast					
Pay television subscribers in the Nordic region,					
period end (000s):					
Cable TV	561	571	604	624	681
Satellite master antenna TV- networks (SMATV)	1,193	1,133	1,098	1,212	1,177
Home satellite dish (DTH)(1)	569	701	763	824	906
Digital Terrestrial Television (DTT)				12	33
Group					
Number of full-time equivalent employees	21,000	22,100	19,450	20,900	27,600

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(1) Includes all subscribers of Canal Digital, which we consolidated as a wholly-owned subsidiary starting on June 30, 2002.

DIVIDENDS AND DIVIDEND POLICY

Under Norwegian law, dividends may only be paid in respect of a financial period for which audited financial statements have been approved by the annual general meeting of shareholders. Any proposal to pay dividend must be recommended by the board of directors, accepted by the corporate assembly and approved by the shareholders at a general meeting. The shareholders at the annual general meeting may vote to reduce, but not to increase, the dividend proposed by the board of directors.

Dividends may be paid in cash or in kind and are payable only out of distributable reserves, which are calculated from Telenor ASA's balance sheet. Distributable reserves consist of:

annual profit according to the income statement approved for the preceding financial year, and

retained profit from previous years,

after deduction for uncovered losses, the book value of research and development, goodwill, net deferred tax assets recorded in the balance sheet for the preceding financial year, the aggregate value of treasury shares that we have purchased or been granted security in during preceding financial years and of credit and security given pursuant to sections 8-7 to 8-9 of the Norwegian Public Limited Companies Act, and for any part of our annual profits that would be compatible with good and careful business practice to retain with due regard to any losses which we may have incurred after the last balance sheet date or which we may expect to incur. We cannot distribute any dividends if our equity, according to our balance sheet, amounts to less than 10% of the total assets reflected on our balance sheet without following a creditor notice procedure as required for reducing the share capital. These amounts are calculated on the basis of Telenor ASA's unconsolidated financial statements.

The following table shows the aggregate dividends we paid or expect to pay, for each of the past five fiscal years.

Year	Total (in millions)(1)	
	(NOK)	(USD)
2001	621	69
2002	799	115
2003	1,764	265
2004	2,603	428
2005(1)	3,419	510

(1) A dividend of NOK 2.00 per share for the fiscal year 2005 was proposed by our board of directors due for acceptance by the corporate assembly and approval at the annual general meeting on May 23, 2006. The dividend, if approved, will be paid in June 2006 to the holders of record of Telenor shares on May 23, 2006. The total amounts for 2005 do not include dividends on own shares as of December 31, 2005.

Since our initial public offering in 2000 and up to and including the fiscal year ended December 31, 2002, our stated dividend policy had been to declare and distribute an annual dividend in an amount equal to 20-30% of our annual net income after taxes adjusted for the effect of one-time gains or losses, if any. Effective from the fiscal year ended December 31, 2003, our board of directors revised our dividend policy to state our intention to distribute an annual dividend in an amount equal to 40-60% of our normalized net income. However, the amount of any dividends proposed by the board of directors may vary from year to year at the board's discretion.

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Because we will only pay dividends in Norwegian Krone, exchange rate fluctuations will affect the U.S. dollar amounts received by holders of ADSs after the ADR depository converts cash dividends into U.S. dollars.

EXCHANGE RATES

The table below shows the average noon buying rates in The City of New York for cable transfers in currencies as certified for customs purposes by the Federal Reserve Bank of New York for Norwegian Krone per USD 1.00. The average is computed using the noon buying rate on the last business day of each month during the period indicated.

Year ended December 31,	Average
2001	9.0380
2002	7.9253
2003	7.0627
2004	6.7241
2005	6.7444

The table below shows the high and low noon buying rates for each month during the six months prior to the date of this annual report.

	Low	High
October 2005	6.4307	6.6155
November 2005	6.4591	6.7393
December 2005	6.5944	6.8023
January 2006	6.5242	6.7483
February 2006	6.6416	6.8490
March 2006	6.5726	6.7340
April(1) 2006	6.4190	6.5142

(1) Low and high noon buying rates for the period starting April 1, 2006 and ending on April 5, 2006.

On April 5, 2006, the noon buying rate for Norwegian Krone was USD 1.00 = NOK 6.4340.

Fluctuations in the exchange rate between the Norwegian Krone and the U.S. dollar will affect the U.S. dollar amounts received by holders of ADSs on conversion of dividends, if any, paid in Norwegian Krone on the ordinary shares and may affect the U.S. dollar price of the ADSs listed on the NASDAQ National Market.

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RISK FACTORS

Risks Related to Our Business

We face increasing competition in the Norwegian telecommunications market which may result in further reductions in tariffs and loss of market share and could affect our future revenues and profitability.

We are experiencing competition from competing service providers in the Norwegian market for telecommunications services. Generally, the Norwegian regulatory regime poses few barriers to entry for new competitors.

In fixed network services, a number of regulatory measures have been introduced that have strengthened and may strengthen the position of our competitors. Pursuant to regulatory requirements, we introduced carrier pre-selection for our customers in November 2000, enabling them to select alternative service providers. In April 2000, we began offering interconnection services for our local access network, or local loop, at cost-oriented prices. Competitors may also use alternative technologies, such as cable or wireless local loop connections, to provide telecommunications services, and in March 2000 the Norwegian regulator awarded licenses to our competitors to provide wireless access services. From 2003 onwards, we have offered wholesale line rental (PSTN and ISDN) to other operators, enabling the operators of telephony traffic to deliver fixed telephony subscription to their customers using our fixed network. Such unbundled telephony access also means that subscriptions and traffic may be delivered separately by different operators. In addition, a number of service providers have recently launched Voice over Internet Protocol (VoIP), which is a competitive technology to traditional telephony in the consumer market.

In the mobile market, there are two Universal Mobile Telephony Service (UMTS) license holders apart from us, one of which is our primary competitor in the Norwegian mobile market, NetCom. The second license holder, Hi3G, a new entrant to the Norwegian mobile market, was awarded its license in August 2003. Apart from enjoying more favorable license conditions than NetCom and us, Hi3G was permitted to immediately claim national roaming in the existing GSM networks.

Currently, several mobile service providers utilize our infrastructure, or that of our primary competitor, and the regulator may require us to reduce the prices we charge to these service providers. You should read **Risks related to regulatory matters** for further information. We have also launched an MVNO (Mobile Virtual Network Operator) offer in the market. Furthermore, pursuant to regulatory requirements, we provide network access to external providers of short messaging services (SMS).

As competition continues to intensify, we expect that market pressures may require us to reduce tariffs further and to increase our marketing and sales expenses. However, we may nonetheless lose further market share, which may adversely affect our revenue growth and profit margin since the effect of lost market share in the retail market is unlikely to be fully offset by providing wholesale services to competing service providers.

If we fail to successfully develop and market new mobile communications services, our ability to achieve further revenue growth in mobile communications services in the Norwegian market and the more mature international markets in which we operate may be reduced.

Because of being the market leader, the current high penetration rate and increased competition in the mobile telephony market in Norway and certain more mature international markets in which we operate, such as Denmark and Hungary, we expect that further revenue growth in mobile communications in these countries will depend on our ability to successfully develop and market new applications and services or have third parties provide services using our network. In particular, it is our goal to stimulate demand for value-added services. Failure to successfully do so may impair our ability to achieve further revenue growth in mobile communications services in these countries.

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As part of our strategy, we intend to expand our minority ownership interests in, and gain control of, some of our investments in order to exercise a controlling influence over key business decisions, including the approval of strategy and business plans. If we fail to increase our ownership interests and gain control, our cost savings and revenue enhancement from these operations may be limited. A failure to increase our ownership interest in our associated companies may limit our ability to influence key business or strategic decisions, particularly in situations in which we disagree with other principal shareholders.

For example, our ability to influence key business or strategic decisions in our associated company VimpelCom, a Russian mobile operator in which we own 26.6% of its voting share capital, is closely related to the fact that VimpelCom's charter requires certain decisions to be approved by 80% of the members of VimpelCom's board of directors. However, during the last two years, an individual shareholder of VimpelCom and VimpelCom's other principal shareholder, the Alfa Group (whose telecommunications division now does business under the name

Altimo), have filed lawsuits in Russian courts aimed at undermining these provisions of VimpelCom's charter. All of these lawsuits have now been dismissed or withdrawn, but our ability to influence decisions about important matters in VimpelCom might be limited as a result of future actions by the Alfa Group.

In addition, when our other principal shareholders in our international mobile operations fail to adequately support these companies, not participate or disagree with us over key corporate actions, such companies may not be able to compete or operate effectively and the value of our investments may be impaired.

For example, Ukrainian law requires the attendance of shareholders holding more than 60% of a company's share capital for a quorum to be present at shareholder meetings, and the charter of Kyivstar, our 56.5% owned Ukrainian mobile operator, requires the attendance of at least one director from Storm, the other shareholder in Kyivstar and a wholly-owned subsidiary of the Alfa Group, for a valid quorum at board meetings. There have been situations arising in 2005 that resulted in the failure of Storm or its nominees to attend meetings.

Telenor has therefore been involved in litigation with Storm LLC concerning these corporate governance and other issues involving Kyivstar, including but not limited to the lack of Storm or its nominees attendance at Board of Directors meetings. As provided for under Kyivstar's shareholders' agreement, we have also commenced arbitration proceedings against Storm to force Storm, and its affiliates in the Alfa Group, to comply with the terms of the shareholders' agreement. Furthermore, we have also proposed certain amendments to the Kyivstar charter but the actions of Storm described above, including the failure of Storm or its nominees to attend meetings, could still adversely affect the ability of Kyivstar to operate and compete effectively.

You should read Item 4: Information on the Company Mobile Operations Associated Companies VimpelCom Russian and other CIS countries and Item 4: Information on the Company Kyivstar Ukraine for additional information about VimpelCom and Kyivstar, respectively.

The value of our international operations and investments may be adversely affected by political, social, economic and legal developments in foreign countries.

Some of the countries in which we have operations or in which we have made significant equity investments in telecommunications operators, have political, social, economic and legal systems that may at times be unpredictable. Political or economic upheaval or changes in laws or their application may harm the operations of the companies in which we have invested and impair the value of these investments to us. A significant risk of operating in emerging market countries is that foreign exchange restrictions could be established. This could effectively prevent us from receiving profits from, or from selling our investments in, these countries.

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Increased exposure to currency exchange rate fluctuations may have an adverse effect on our reported earnings and the value of our international operations and investments.

An increasing proportion of our revenues and profits are derived from our international mobile operations and investments. Fluctuations in currency exchange rates between the Norwegian Krone and the currencies, in particular the U.S. dollar, in which our international operations or investments report and operate, could adversely affect our earnings as reported in Norwegian Krone. We attempt to mitigate the effect of fluctuations in foreign currency exchange rates through foreign currency hedging. However, there can be no assurance that our efforts will be successful.

If we or international mobile operators in which we have invested fail to obtain, or fail to enter into agreements to utilize, licenses for third generation mobile services, we may be unable to achieve further revenue growth in mobile communications or to benefit from certain cost reductions related to network improvements in our target markets.

Our ability to offer third generation mobile services, either directly, or through our international associated companies, depends upon our obtaining UMTS licenses or entering into agreements with operators that have been awarded such licenses in markets in which we are, or intend to be, present. Failure to establish ourselves or our associated companies among the providers of third generation mobile services may limit our ability:

to achieve further revenue growth in mobile communications, if demand for improved or new services and products, which will work better on UMTS networks, proves to be strong; and/or

to benefit from the low incremental costs of increases in UMTS network capacity compared to increases in GSM network capacity.

Continuing rapid changes in technologies could increase competition or require us to make substantial additional investments.

The services we offer are technology-intensive. The development of new technologies may render our services non-competitive. We may have to make substantial additional investments in new technologies to remain competitive. New technologies we choose may not prove to be commercially successful. As a result, we could lose customers, fail to attract new customers or incur substantial costs in order to maintain our customer base.

In-orbit satellite failure may result in lost revenues in our satellite broadcasting business.

The operation of satellites is subject to the risk of in-orbit failure, which could arise from various causes, such as a failure of satellite components, solar or other astronomical events or space debris. It is not feasible to repair satellites in space. The satellites themselves are insured in such cases, but we do not insure against lost revenues in the event of a total or partial loss of the communications capacity of a satellite while in orbit.

Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to decreased mobile communications usage.

Concern has been expressed that the electromagnetic signals from mobile handsets and base stations and chemicals leaking from mobile handsets may pose health risks or interfere with the operation of electronic equipment, including automobile braking and steering systems. Actual or perceived risks of mobile handsets or base stations and related publicity, regulation or litigation could reduce our mobile telephone customer base, make it difficult to find attractive sites for base stations or cause mobile telephone customers to use their mobile phones less.

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Risks Related to Regulatory Matters

Increased regulation and changes in the regulatory environment could adversely affect our business operations in Norway.

Our operations are subject to extensive regulatory requirements in Norway. In particular, we must comply with requirements regulating the licensing, construction and operation of our telecommunications, cable TV, broadcasting and satellite networks and services, and there are governmental authorities which monitor and enforce competition laws and consumer protection laws applicable to the telecommunications industry.

It is difficult for us to predict the precise impact of any proposed or potential changes in regulatory, environmental or government policies on our operations. If regulators decide to expand or introduce restrictions and obligations applicable to our business operations or to extend them to new services and markets, this could adversely affect our business operations and competitiveness in existing and new markets.

For additional information on the regulatory requirements to which we are subject, you should read [Item 4: Information on the Company Regulation Norway](#) .

Existing and new regulatory requirements may impair our flexibility in setting tariff structures, require us to further reduce tariffs, provide advantages to our competitors or provide grounds for legal proceedings against us.

We are considered by the Norwegian Post and Telecommunications Authority to have significant market power with regard to both our fixed and our mobile operations in the Norwegian markets for voice telephony, transmission capacity and interconnection services. As a result, we are subject to specific obligations regarding pricing, accounting and reporting with respect to these services. In particular, we are required to offer these services to our wholesale customers and end users at cost-oriented prices and on non-discriminatory terms.

These and other new requirements may impair our flexibility in setting tariff structures or may require us to further reduce tariffs, which may adversely affect our revenues and net income. In addition, if we are required to reduce interconnection prices or change the terms on which we provide certain services as a result of our obligation to provide cost-oriented pricing and non-discriminatory terms for interconnection and access, our competitors may be at an advantage, depending on the services provided.

This regulatory environment also provides the grounds for several legal proceedings brought against us by our competitors and customers, alleging that our failure or delay in providing access to our network on the terms required by law has caused them loss. Our alleged failures and delays include failing to deliver cost-oriented pricing and late implementation of carrier pre-selection. For additional information on these legal proceedings, you should read

[Item 8: Financial Information Legal Proceedings](#) .

The regulatory framework in Norway, which is based on EU telecommunications regulation, may impair our ability to compete effectively in our existing or new markets.

In February 2002, the European Union (EU) adopted a number of directives with the objective of developing a harmonized regulatory framework for electronic communications networks and services throughout the EU. In Norway, the new regulatory framework was implemented by the Electronic Communications Act of July 2003. The impact of the introduction of the new framework is still uncertain, in part because it will depend on the regulators interpretation of the framework and their assessment of the competitive situation in the relevant markets. Our ability to compete effectively in our existing or new geographical and product markets could be adversely affected by the regulators decision to extend the scope of the restrictions we are currently subject to, to new services and markets in the face of continuing convergence of information and communications services. You should read [Item 4: Information on the Company Regulation Norway Regulatory framework and developments](#) and [Regulation European Union Regulation](#) for more information on the new regulatory framework.

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Increased and unpredictable regulation of our international mobile operations and investments and the lack of institutional continuity and safeguards in certain of the emerging market countries in which we operate could adversely affect our competitive position, increase our costs of regulatory compliance and adversely affect our results and business prospects.

We derive an increasingly higher portion of our revenues and profits (or losses) from our international mobile operations and investments, with increased regulation. As a consequence, regulatory uncertainty or unfavorable regulatory developments in certain countries could adversely affect our results and business prospects.

We must comply with an extensive range of requirements that regulate the licensing, construction and operation of our telecommunications networks and services or restrict our ability to invest or increase our investment in local companies in these countries. In particular, there are agencies which regulate and supervise the allocation of frequency spectrum and which monitor and enforce regulation and competition laws which apply to the mobile telecommunications industry. Decisions by regulators regarding the granting, amendment or renewal of licences, to us or to third parties, could adversely affect our future operations in these countries.

For example, our subsidiary Pannon has been identified as having significant market power in the mobile and interconnection markets in Hungary, and has been required to contribute to a fund established by the Hungarian authorities to compensate universal service providers. In Malaysia, we are required to reduce our current 61% ownership interest in our mobile subsidiary DiGi.Com to below 50% by the second half of 2006, unless we apply for additional extensions. In Thailand, where we operate through our consolidated subsidiary DTAC, we are exposed to uncertainty relating to the licensing system, the consequences of the build, operate and transfer regime applicable to mobile networks operated by private investors and uncertainty relating to restrictions on foreign investment in Thailand, in particular with respect to the cap on our direct ownership interest in DTAC. For additional information on these regulatory developments outside Norway, you should read Item 4: Information about the Company .

Some of the emerging markets in which we operate are in the process of transition to market economies, stable political institutions and comprehensive regulatory systems. Overall, we expect the regulatory framework in most countries to converge with that of the European Union. However, some of the emerging market countries in which we operate lack the institutional continuity and strong procedural and regulatory safeguards typical of the more established countries in which we operate, such as Norway, Denmark and Sweden. In addition, in countries with a large and complicated structure of government and administration, such as Russia, national, regional, local and other governmental bodies may issue inconsistent decisions. As a result, in these emerging countries we are exposed to regulatory uncertainty, which could increase uncertainty for our business and our cost of regulatory compliance, and we enjoy less comprehensive protection for some of our rights.

Risks Related to Our Ownership by the Kingdom of Norway

We could be influenced by the Kingdom of Norway whose interest may not always be aligned with the interests of our other shareholders.

As of March 31, 2006, the Kingdom of Norway holds 54.4% of our shares. Accordingly, the Kingdom of Norway continues to have the power to determine certain matters submitted for a vote of shareholders, including electing a majority of the corporate assembly which in turn has the power to elect our board of directors, as well as the power of approval of the annual financial statements and declarations of dividends. The interests of the Kingdom of Norway in deciding these matters and the factors it considers in exercising its votes could be different from the interests of our other shareholders.

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Risks Related to Our Ordinary Shares and the American Depositary Shares

The price of our ordinary shares and ADSs may be volatile and fluctuate significantly due to many factors, including variations in our operating results and changes to the regulatory environment.

The trading price of our ordinary shares and ADSs could fluctuate widely in response to factors such as quarterly variations in our operating results, adverse business developments, interest rate changes, changes in financial estimates by securities analysts, announcements of technological or other developments by us or our major customers or competitors, changes to the regulatory environment in which we operate or the actual or expected sale of a large block of shares by the Kingdom of Norway.

An ADS holder may not be able to exercise voting rights as readily as an ordinary shareholder.

Holders of ADSs may instruct the ADR depository to vote the ordinary shares underlying the ADSs. However, in order to exercise their voting rights at meetings, holders of ADSs must instruct the ADR depository to cause the temporary transfer of the underlying ordinary shares so as to register their ownership of such ordinary shares directly in our share register in the VPS (Norwegian Central Securities Depository System) prior to the meeting. In addition, the ADR holder must cause the delivery of such holder's ADSs to a blocked account with The Depository Trust Company for the account of the ADR depository and notify the ADR depository that such ADSs are being held in a blocked account. The ADSs must remain in the designated account until the conclusion of the meeting at which such voting rights are to be exercised by the ADR depository. There is no guarantee that you will receive voting materials in time to instruct the ADR depository to vote and it is possible that ADS holders, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

ITEM 4: INFORMATION ON THE COMPANY

THE COMPANY

We are the leading telecommunications company in Norway.

We have substantial international operations, particularly in the area of mobile telephony.

Telenor ASA is a public limited company organized under the laws of Norway.

We were incorporated on July 21, 2000 and are subject to the provisions of the Norwegian Act relating to Public Limited Liability Companies. Our principal offices are located just outside Oslo at

Snarøyveien 30,

N-1331 Fornebu

Norway.

Our telephone number is +47 810 77 000.

Our agent in the United States is Telenor Satellite Services Holdings Inc., 1101 Wootton Parkway, Rockville, Maryland.

OVERVIEW

We are the leading telecommunications company in Norway, which is among the most advanced telecommunications markets in the world. Norway has either the highest, or one of the highest, penetration rates of mobile phone, fixed line digital telephony, personal computer and Internet usage worldwide. We also have substantial international operations, particularly in the areas of mobile telephony services, satellite operations and pay television services. In 2005, we had consolidated total revenues of approximately NOK 69 billion and profit after taxes attributable to equity holders of Telenor ASA (net income) of approximately NOK 8 billion.

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Our predecessors and we have been responsible for telecommunications in Norway since 1855. We were established in 1994 as a limited liability company wholly-owned by the Kingdom of Norway. In December 2000, we completed our initial public offering, which reduced the ownership of the Kingdom of Norway to 79%, and our shares were listed on the Oslo Stock Exchange and the NASDAQ National Market. For additional information concerning our history, you should read Item 7: Major Shareholders and Related Party Transactions Relationship between Telenor and the Kingdom of Norway .

Mobile operations

We are the leading provider of mobile telecommunications services in Norway, with approximately 2.731 million subscriptions at December 31, 2005. Internationally, at December 31, 2005, we have interests in mobile operations in 11 countries, with principal investments in 9 operations, including:

a 100% ownership interest in Sonofon in Denmark, with approximately 1.284 million subscribers;

as of January 5, 2006, a 100% ownership interest in Vodafone Sweden, with approximately 1.7 million subscriptions, including Telenor Mobile Sweden.

a 56.5% ownership interest in Kyivstar in Ukraine, with approximately 13.925 million subscriptions;

a 100% ownership interest in Pannon GSM in Hungary, with approximately 2.929 million subscriptions;

a 69.3% economic stake in DTAC in Thailand, with approximately 8.677 million subscriptions;

a 61.1% ownership interest in DiGi.Com in Malaysia, with approximately 4.795 million subscriptions;

a 62% ownership interest in GrameenPhone in Bangladesh, with approximately 5.542 million subscriptions

a 100% ownership interest in Telenor Pakistan in Pakistan, with approximately 1.868 million subscriptions.

a 100% ownership interest in ProMonte GSM in Montenegro, with approximately 310,000 subscriptions.

In addition, we have participations in two other mobile operators in Europe. The number of subscriptions in our international mobile operations, calculated on the basis of our proportionate ownership interest in each company, was 41.4 million at December 31, 2005 and 22.1 million at December 31, 2004.

In accordance with our strategy of strengthening our portfolio of international mobile operations by obtaining control of selected international mobile operations to maximize cross-border synergies and increase overall profitability, we made the following acquisitions in 2005:

In October 2005, we entered into an agreement with Vodafone Group for the acquisition of its subsidiary Vodafone Sweden for EUR 1,035 million (NOK 8,170 million), including assumed debt. The acquisition was completed on January 5, 2006. In addition, we entered into a partner network agreement, allowing our customers to benefit from Vodafone's global brand, products and services in Sweden.

We increased our economic stake in Total Access Communication (DTAC) in Thailand to 56.9% in October 2005. Following transactions based on mandatory tender offers required under regulations in Thailand and Singapore, our economic stake in DTAC as at December 31, 2005 was 69.3%.

Telenor Fixed

We are the leading provider of fixed network telecommunications services in Norway, offering a full range of services to residential, business and wholesale customers. As of December 31, 2005, we had approximately 1.089 million analog (PSTN) subscriptions in the residential and business markets. We also

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had, at December 31, 2005, approximately 509,000 digital, or integrated services digital network (ISDN) subscriptions and approximately 475,000 digital subscriber lines (xDSL) subscriptions.

With the acquisition of Bredbandsbolaget and Cybercity in July 2005, we have taken a strong position in the growing broadband markets in Sweden and Denmark. Bredbandsbolaget is the second largest provider of broadband services in Sweden, offering a full triple-play of high-speed internet, VoIP and Internet Protocol (IP) television services on an all-IP fiber and xDSL network. Cybercity is the third largest supplier of broadband services in Denmark, providing xDSL-based internet access and voice services to both residential and business customers.

Telenor Broadcast

We provide broadcasting services to customers in the Nordic region. We are the leading provider of television services in the Nordic countries through satellite dish, cable TV networks and satellite master antenna TV-networks systems. As at December 31, 2005, we had more than 3 million subscribers to our television services.

We operate the national terrestrial broadcast network in Norway and we are the leading provider of satellite broadcasting services in the Nordic region, utilizing three geo-stationary satellites.

Other Businesses

We conduct significant operations related to our core business areas through other businesses. EDB Business Partner, our 51.8% owned publicly listed subsidiary, is a leading information technology company in Norway. Our wholly-owned subsidiary Satellite Services offers satellite-based communications networks and services to a wide variety of governmental, intergovernmental and commercial organizations, and is one of the world's leading providers of global mobile communications services, directed at the maritime, land mobile and aeronautical markets.

STRATEGY

Our primary objective is to create greater value for our shareholders, customers, employees and partners, and for society in general. We strive to be a driving force in creating, simplifying and introducing communication and content solutions to the marketplace. In order to achieve this objective, we base our strategy on our customer oriented vision,

Here to Help as well as our values, Make it easy, Be respectful, Keep promises and Be inspiring. We are committed to creating, developing and launching new solutions that simplify our customers' workday. We believe that by simplifying our own organization and routines we can achieve competitive market power and value-creation.

Indeed, our strategy to achieve our primary objective has the following focus:

To strengthen the performance of our local mobile operations by combining Group industrialization with local drive and responsiveness.

To maintain and further develop our leading position within telecommunications in the Nordic region with a broad range of services in both the residential and business markets and high market shares.

To realize synergies across the Nordic region, primarily with respect to our mobile operations through our established Nordic unit, which comprises and coordinates our mobile and fixed operations in the Nordic region. By streamlining our Nordic operations, we aim at strengthening customer focus as well as cost-efficiency.

To ensure value creation in our mobile portfolio by maximizing cash flow in mature markets, securing continued subscriber growth in our international companies with a particular emphasis on subscriber growth in emerging markets and achieving control in order to benefit from synergies across our international and domestic operations and as a result, to increase our overall profitability.

To maintain and further develop a leading position within the Nordic TV distribution market.

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To enhance the value of those companies which are not strategic for our main business areas and dispose of all or part of our interest in such companies.

Our combined group of companies and services will form the basis for our future growth in both the short and long term. In order to achieve this growth objective, we aim to have a balanced presence in mature and emerging markets.

We operate in an international market alongside global players. We focus on three geographical areas: the Nordic region, Central and Eastern Europe and Southeast Asia.

Within our existing portfolio our activities are within mature markets and emerging markets. Our mature markets consist of activities in mobile, fixed, and broadcast operations. In emerging markets, our main focus is primarily within international mobile operations. We intend to constantly review, assess and evaluate which business is crucial for us to have control, to explore partnerships, and to develop new businesses.

We are developing new services based on our experience in mature and emerging markets. We intend to coordinate product development and operations across our operations in order to provide greater competitive power through improved products and lower costs. We compete on the basis of a market and customer driven culture and organization, expertise, well-designed services, quality and the ability to innovate.

We aim:

To strengthen our position as an international mobile operator.

We intend to continue to strengthen our mobile industrialization mobile operations by obtaining control over selected mobile companies. Control is essential for us to benefit from cross-borders synergies, such as scale in procurement, to develop new services and implement best practices, to improve operational efficiency and to increase our overall profitability. We intend to manage our non-strategic investments as financial investments and to exit from international mobile operations where we cannot obtain control over time.

To strengthen our position in the Nordic region.

We intend to continue to streamline our mobile and fixed operations in the Nordic region by exploiting the benefits resulting from economies of scale and cross-border synergies. We believe our Nordic presence will improve support to our customers by building upon our expertise in, and our range of, both mobile and fixed services.

To be the leading provider of communications services in Norway.

Being the leader in a broad range of services in both the residential and business markets in Norway, we will seek to improve profit performance in the mobile and fixed areas by introducing new services and through a wide range of cost-cutting initiatives.

To continue to be the leading distributor of TV services to consumers in the Nordic region.

We will continue to develop new opportunities to strengthen our strategic position as a leading distributor of subscription-based television in the Nordic region. We will focus on attracting new subscribers and increasing revenue per user by providing attractive content and new interactive services.

Organisation

Since January of 2005, we have concentrated Telenor's mobile and fixed activities in the Nordic region under one management unit in order to simplify and enable gains from coordination of operations. The objective of Telenor Nordic is to maintain our position in the Norwegian market, strengthen our position in the Swedish and Danish markets, increase efficiency of operations and secure a strong cash flow. In addition to the establishment of a common Nordic management and operations unit, we have two separate market units for the Nordic region (one for the business market and another for the residential market) which have been established to strengthen focus on local sales and marketing activities.

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In 2005, Telenor also initiated a Group procurement program for the entire Telenor Group. The purpose of the procurement program is to contribute to profitability, quality, development and value creation. The Group procurement initiative intends to secure a predictable and adequate supply of equipment and services at the best achievable market rates and conditions.

Telenor's mobile commitments in Asia and Europe are becoming increasingly important to the Group. In January of 2006 we established Asia and Eastern/ Central Europe as separate areas of responsibility, with dedicated executive vice presidents, as we had previously done with Nordic operations. We strengthened Asia and Eastern/ Central Europe by appointing two of our most experienced executives. Arve Johansen will head Telenor's commitments in Asia, and Jan Edvard Thygesen will head the Group's commitments in Eastern/ Central Europe. Both Johansen and Thygesen are experienced members of our group management.

Two new members have joined our Group Executive Management as we further strengthen our efforts for greater coordination. Executive Vice President Ragnar H. Korsæth will be responsible for global coordination and for the extraction of synergies between the mobile operations. Executive Vice President and Head of Group Human Resources, Bjørn Magnus Kopperud, will further strengthen our coordinated efforts through operational and human resources across countries where we have business activities. Both of these individuals possess extensive experience within their respective fields.

MOBILE OPERATIONS

Overview

Definitions

In the overview of our mobile operations, and the discussions of each consolidated subsidiary and associated company, the following terms, unless otherwise defined, have the meaning specified:

Subscriptions. The number of subscriptions at the end of any given period is the number of contract and prepaid services subscribed to by our customers at that time provided, however, that we only include prepaid customers who have reloaded their Subscriber Identity Module (SIM) card or had incoming or outgoing traffic during the last three months. A customer may subscribe to more than one subscription service at the same time.

Churn. Churn, which measures customer turnover, is calculated as total gross disconnections from our network in any particular period divided by the average number of customers in the period. Disconnections include both voluntary disconnections (customer who terminate their service or switch to a competing service) and involuntary disconnections (customers whose service is terminated due to non-payment).

Mobile Operators

We are the largest mobile telecommunications operator in Norway and a significant international operator, with a number of investments in mobile telecommunications companies outside Norway. As at December 31, 2005, we had subsidiaries in Norway, Denmark, Hungary, Ukraine, Thailand, Malaysia, Bangladesh, Pakistan, Montenegro and Sweden and owned a minority interest in two other international mobile operations.

In accordance with our strategy of strengthening our portfolio of international mobile operations by obtaining control of selected international mobile operations, and in order to maximize the benefit of cross-border synergies and increase overall profitability, we made the following acquisitions in 2005:

In October 2005, we entered into an agreement with Vodafone Group for the acquisition of its subsidiary Vodafone Sweden for a consideration of EUR 1,035 million (NOK 8,170 million), including the assumption of debt. The acquisition was completed on January 5, 2006. In addition, we entered into a partner network agreement, allowing our customers to benefit from Vodafone's global brand, products and services in Sweden.

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With effect from October 26, 2005, we increased our economic stake in Total Access Communication (DTAC) in Thailand to 56.9%. Following transactions based on mandatory tender offers in connection required under regulations in Thailand and Singapore, Telenor's economic stake as of December 31, 2005 was 69.3%.

You should read note 1 to our consolidated financial statements for additional information on the transactions mentioned above.

Our mobile commitments in Asia and Eastern/ Central Europe are becoming increasingly important to us and we have now established dedicated Executive Vice Presidents for these operations. In addition, we have strengthened the co-ordination of operational and human resources across all countries in which we have operations with two new Executive Vice Presidents in the Group Management.

The following table provides an overview of the principal investments in our mobile operations during the periods and for the dates specified below as of December 31, 2005.

Company	Market	Date of Commencement of Operations(1)	Date of Initial Investment	Ownership percentage
Subsidiaries				
Telenor Mobil	Norway	May 1993		100.00
Sonofon	Denmark	July 1992	2000	100.00
Telenor Mobile				
Sweden	Sweden	June 2001	2001	100.00
Kyivstar GSM	Ukraine	October 1997	1998	56.51
Pannon GSM	Hungary	March 1994	1993	100.00
DTAC(2)	Thailand	July 1992	2000	69.30
DiGi.Com	Malaysia	May 1995	1999	61.00
GrameenPhone	Bangladesh	March 1997	1997	62.00
Telenor Pakistan	Pakistan	March 2005	2004	100.00
ProMonte GSM	Montenegro	July 1996	1996	100.00
Associated Companies				
VimpelCom	Russia/Other countries	June 1994	1999	29.91
ONE	Austria	October 1998	1997	17.45

(1) Dates company commenced operations to provide commercial mobile services.

(2) As of December 31, 2005 Telenor's combined direct and indirect interests in UCOM was 86.2% and in DTAC was 75%, which includes UCOM's 41.6% economic interest in DTAC.

We expect each of our international investments, including our associated companies, to benefit from the products, services and technical expertise which we have developed, and are continuing to develop, in the Telenor Group. For this purpose, we have seconded key managerial, technological and marketing personnel to Kyivstar, Pannon GSM, DTAC, DiGi.Com, GrameenPhone, Telenor Pakistan, and ProMonte. Our personnel assist local management in achieving rapid network roll-out, good network quality and sound marketing strategies as well as transferring of operational skills and best practice.

In 2005, we successfully realized a number of cross-border synergies within our organization. We have successfully implemented common technologies for optimal spectrum and network utilization in each of our companies, and are focusing on the use of new technologies to improve service quality and reduce costs. In order to harmonize our approach to our customers across the markets, we developed a common segmentation model that enables a more effective target market execution so we can gain greater insights about our customers globally. We

have developed a framework that provides our affiliates with a proven concept of developing targeted segment offerings and optimizing go-to-market strategies. In addition, we are presently implementing a common system and platform, CSF (Common Services Framework), for service delivery and developments. Following the recent launch in Telenor Pakistan in 2006, our youth brand djuce is now in Norway, Sweden, Hungary, Ukraine, Bangladesh and Pakistan.

Table of Contents***Alliances and Associations***

In October 2003, nine leading independent mobile operators formed the Starmap Mobile Alliance to provide seamless and enhanced voice and data solutions for business and consumer customers across Europe. There are currently eleven members of the Starmap Mobile Alliance, including our subsidiaries Telenor Mobil, Sonofon, Pannon GSM and our associated company ONE. Participation in the Starmap Mobile Alliance enhances the ability of these mobile operators to offer subscribers who are abroad the full range of services that they enjoy while in their home country. We continue to be committed to successfully reaping the benefits of the alliance.

In addition, we are a member of the GSM Association (GSMA) which was established to provide leadership on a wide range of commercial and strategic matters on behalf of Global System for Mobile Communications (GSM) mobile operators around the world. The mission of GSMA is to promote the interests of GSM mobile operators, and to represent its members with one voice on a wide variety of national, regional and global issues. We play an active role in several GSMA initiatives, such as the initiatives to reduce prices for low cost terminals in emerging markets.

Customers

As of December 31, 2005, we had a total of 41.4 million mobile subscriptions calculated on the basis of our proportional ownership interest in each company. The following table provides information relating to subscriptions for each of our mobile operations as of December 31, 2005.

Company	Market	Mobile Telephony Penetration(1)	Market Share Based on Subscriptions(1)	Total Subscriptions	Growth in Subscriptions From 2003	Prepaid Share
		(%)	(%)	(thousands)	(%)	(%)
Subsidiaries						
Telenor Mobil	Norway	107	56	2,731	3	45
Sonofon	Denmark	89	27	1,284	1	33
Telenor Mobile						
Sweden(2)	Sweden	110	1	95	(10)	51
Kyivstar GSM	Ukraine	64	46	13,925	123	93
Pannon GSM	Hungary	87	34	2,929	6	65
DTAC	Thailand	47	28	8,677	11	83
DiGi.Com	Malaysia	73	25	4,795	48	93
GrameenPhone	Bangladesh	6	62	5,542	132	93
Telenor Pakistan	Pakistan	13	9	1,868	n.a.	98
ProMonte GSM	Montenegro	88	58	310	11	85
Associated companies(3)						
VimpelCom(4)	Russia	87	34	43,097	68	97
	Other countries	n.a.	n.a.	2,317	n.a.	98
ONE	Austria	103	20	1,664	11	53

(1) Based on our and the local regulatory authorities' estimates unless otherwise stated.

(2) Figures do not include subscriptions for Vodafone Sweden, which we acquired on January 5, 2006.

(3) All information for associated companies is based on figures published by the companies unless otherwise stated.

(4) Based on 6 months churn for prepaid.

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Each of our mobile companies are dependent on the licenses they hold to operate mobile telecommunications services. The table below summarizes the significant licenses held and network types operated by our mobile operators as of December 31, 2005.

Company	Licences	Network Type	Licence Granted	Licence Expiration Date	Licence Duration
Telenor Mobil					Extended 2006 to 2017
	GSM 900	GSM/GPRS/EDGE	1992	2017	2017
	GSM 900		2001	2013	12 yrs
	GSM 1800		1998	2010	12 yrs
	UMTS	W-CDMA	2000	2012	12 yrs
Sonofon	GSM 900	GSM/GPRS	1997	2012	15 yrs
	GSM 1800		1997	2007	10 yrs
	GSM 1800		2000	2010	10 yrs
	UMTS	W-CDMA	2005	2021	16 yrs
Kyivstar GSM(1)	GSM 900	GSM/GPRS	1997	2012	15 yrs
	GSM 1800		2001	2016	15 yrs
Pannon GSM	GSM 900	GSM/GPRS/EDGE	1993	2008	15 yrs
	GSM 1800		1999	2014	15 yrs
	UMTS	W-CDMA	2004	2019	15 yrs
DTAC(2)					Extended 1996 to 2018
	AMPS 800	AMPS	1990	2018	2018
	GSM 1800	GSM/GPRS	1990	2018	
DiGi.Com(3)	GSM 1800	GSM/GPRS/EDGE	2000	2015	15 yrs
	EGSM				
GrameenPhone	GSM 900	GSM	1996	2011	15 yrs
	GSM 1800				
Telenor Pakistan	GSM 900	GSM/GPRS/	2004	2019	15 yrs
	GSM 1800		2004	2019	15 yrs
	LDI	LDI	2004	2024	20 yrs
ProMonte	GSM 900	GSM/GPRS	2002	2017	15 yrs
	GSM 1800		2002	2017	15 yrs
Associated companies:					
VimpelCom:(4)					
Moscow	GSM 900/1800	GSM/GPRS	1998	2008	10 yrs
Central and Central Black Earth	GSM 900/1800	GSM/GPRS	2000	2008	8 yrs
North-Caucasus	GSM 900/1800	GSM/GPRS	2000	2008	8 yrs
North and North-West	GSM 900/1800	GSM/GPRS	2002	2012	10 yrs
Siberia	GSM 900/1800	GSM/GPRS	2000	2008	8 yrs

Ural	GSM 900/1800	GSM/GPRS	2002	2012	10 yrs
Ural (whole Ural Territory)	GSM 1800	GSM/GPRS	2002	2012	10 yrs
Volga	GSM 900/1800	GSM/GPRS	2002	2008	8 yrs
ONE	GSM 1800	GSM/GPRS	1997	2017	20 yrs
	UMTS	W-CDMA	2000	2020	20 yrs

- (1) In addition to the operating licenses, Kyivstar holds a number of regional frequency licenses.
- (2) Rather than a license, DTAC has the right to operate a mobile network pursuant to a concession.
- (3) Rather than a license, DiGi.Com holds the right to operate a mobile network (Spectrum allocation).
- (4) In addition, VimpelCom also holds several GSM/ AMPS/ D-AMPS licenses in other regions and countries.

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GSM

As set out in the table above, each of the mobile companies holds a license to offer mobile telecommunications services on a GSM network, on which all companies but GrameenPhone also provide General Packet Radio Service (GPRS). GPRS has two main advantages over GSM: an always on environment and higher data transmission speed. In addition, each of our GSM networks is compatible with Enhanced Data GSM Environment (EDGE), which allows for further increased data transmission speeds.

UMTS

Third generation (3G) products and services based on United Mobile Telecommunications Service (UMTS) UMTS technology will allow for even faster and more efficient data transmission than GPRS and EDGE. We currently hold UMTS licenses in Norway, Sweden, Denmark, Hungary and Austria. We launched 3G services based on UMTS in Austria in December 2003 and in Norway in December 2004. Vodafone Sweden launched 3G services for data in February 2004 and 3G services to the consumer market in November 2004. Pannon GSM plans to launch UMTS-based services in Hungary in early 2006 and Sonofon plans to launch UMTS-based services in Denmark during 2006. Each of our UMTS license-holders will offer UMTS-based services using the Wideband Code Division Multiple Access (W-CDMA) standard. In markets in which UMTS licenses have yet to be issued, or in which we have not acquired a UMTS license, we will evaluate the possibility of participating in additional UMTS license allocation procedures on a case-by-case basis. We will also explore the possibility of providing UMTS-based services on a service provider or MVNO basis in those countries in which we do not acquire a UMTS license.

Wireless LAN

Telenor Mobil, in Norway, began offering wireless local area network (Wireless LAN) services in 2002. By using these services, companies may allow employees and authorized corporate partners to maintain a high-speed wireless connection to e-mail and the Internet on laptop computers and personal digital assistants while they are away from the office (or any partner site). In addition, Telenor Mobil has installed several hot spots throughout Norway, which provide mobile broadband access and data communication service to subscribers over a public access Wireless LAN. We view public access Wireless LAN as an important aspect of offering a complete data connectivity solution to our customers and, consequently, more of our companies are expected to launch Wireless LAN services in the future. We are continuing to study the emerging technologies in this area and will, if and when applicable, include emerging technologies in our Wireless LAN service offerings.

Network Development

Each of our companies networks has been designed to provide for high levels of coverage, capacity, quality and reliability. We use redundant network structures to achieve the required reliability, and utilize state-of-the art systems and supervision technology to manage operations on an around-the-clock basis.

We believe further development and improvement of our networks to be an ongoing and important part of our strategy. Our companies are continuing to build new base stations, add capacity to existing base stations and update the technology and functionality of existing networks in order to meet customer demands regarding coverage, capacity, quality and reliability. In order to facilitate network development across our mobile operations, each of our companies is involved in the development of common standards and guidelines for network developments. All network development will be in accordance with the international standardization ongoing in the relevant fields.

Our mobile companies acquire network equipment from a number of international suppliers, including Ericsson, Nokia Siemens and Alcatel. We purchase equipment from multiple sources to spread technology risk and to retain influence over the development of new technology-related features. We are not dependent on any one supplier for the provision of network equipment.

Table of Contents***Products and services***

Each of our operators offers products and services to both the consumer segment and the business segment. We aim to offer high quality and advanced services to satisfy the mobile telecommunications needs of specific segments in both the consumer and business market in order to attract new customers, increase revenue per customer and create customer loyalty. Key products and services currently offered by our mobile operators include the following:

Voice services

Revenues from voice services include traffic charges, interconnection fees, and roaming charges. For each of our companies, revenues from voice services make up the largest part of total revenue. As a consequence, we are continuing to focus on developing new products and services and initiatives that are intended to increase our customer base and encourage growth in usage of these services.

Two important factors that affect both a customer's choice of operator and usage patterns are tariff plans and network quality. Each of our subsidiaries offers a variety of prepaid and contract tariff plans that are intended to attract new customers and increase usage among targeted segments. In addition, each company continues to invest in improving network quality and coverage, thereby enabling customers to use voice services at all times. Each company also offers a range of value-added services, such as voicemail, mobile phonebooks and missed call notification, which have been shown to increase usage by mobile phone users. Other value-added voice services that our companies offer include call waiting, call forwarding, caller identification and itemized invoicing. We have also developed value-added voice services targeted specifically at the business segment. For example, Wireless PABX, which is offered by Telenor Mobil, Pannon GSM and Sonofon, is a mobile-based service that replaces the customer's traditional fixed line switchboard.

A less advanced solution – Closed User Group (CUG) solutions – is implemented in most operations. Our products and services are packaged, distributed and promoted efficiently towards our target customers, gaining more and more attention in the local market places (e.g. MTV power pack from Digi.Com).

Data services

SMS and MMS. Each of our companies offers Short Messaging Services (SMS), which enable customers to send and receive short text messages using their mobile phones, and all but one (GrameenPhone) offer Multimedia Messaging Services (MMS), which enable customers to transmit graphics, video clips, sound files and short text messages over wireless networks using the Wireless Application Protocol (WAP). Other than GrameenPhone, all of our operators currently offer a WAP portal to customers.

Content services. All our operators have implemented Telenor's Content Provider Access (CPA) platform, which enables external content providers to supply content to our customers. Examples of content that can be provided to customers using this service include ring-tones and music, logos, pictures, Java-based games and directory enquiries. Content providers are responsible for the quality, pricing and marketing of content. Payment is made through the phone bill and a share of this is given to the content provider according to the operator's pricelist.

Internet/intranet access. As discussed above, all our companies (except GrameenPhone) offer a WAP portal which enables customers to access a number of web-based services such as news and weather. We are constantly seeking to improve the WAP portal in order to offer customers a higher quality and broader range of content. Telenor Mobil, Pannon GSM and VimpelCom offer software for easy connection to Internet via PC card. A common mobile email solution was launched across the Group in 2005, with commercial launch in VimpelCom, Pannon GSM, Telenor Mobil, DTAC and Digi.Com. The solution allows all customers to access their business email on the mobile phone.

mCommerce. Several of our affiliates offer mCommerce services to their customers. Utilizing a public key infrastructure (PKI) secure payment system, mCommerce allows direct access from a mobile phone to a bank account. Customers may use mCommerce to top-up their prepaid subscriptions or purchase products, goods and services from companies and vendors who provide mobile commerce.

Table of Contents*Interconnection*

All of our mobile companies provide direct and indirect interconnection, in accordance with local regulations, to their respective networks for calls to and from domestic and international operators of public telephony. Our companies also have various agreements with other operators whose networks interconnect directly with ours, pursuant to which we receive fees for terminating incoming calls and pay fees for calls from our network to other operators' networks.

International Roaming

Each of our mobile companies has entered into international roaming agreements with a large number of telecommunications operators. These agreements allow our companies' subscribers to make and receive calls on other networks when traveling abroad. The agreements also allow visitors to our companies' networks from abroad to make and receive calls. Our companies charge an agreed fee to the respective home networks based on the duration of the calls made or received.

Today, many of these roaming agreements enabling voice calls and SMS are accompanied by an agreement to enable our customers to use GPRS/ EDGE data services while traveling. Following the launch of 3G UMTS networks in many countries, especially in Europe, several operators have opened their networks to allow 3G roaming, enabling customers of Telenor Mobil, Vodafone Sweden, Pannon GSM and ONE to access their 3G services while abroad.

Wholesale services

In Norway, we sell network capacity to both Mobile Virtual Network Operators (MVNOs) and service providers, and in Denmark we sell to service providers only. Both MVNOs and service providers sell mobile telephone service under their own brand name without controlling radio spectrum or radio network facilities. MVNOs purchase radio spectrum and access to core network components, but keep control over all other aspects of the service, including traffic routing and SIM card production. Service providers, however, buy a broader range of products and services, including SIM cards. Both MVNOs and service providers are responsible for customer service, marketing, invoicing and sales. Outside of the Nordic region, service providers and MVNOs are not currently present in the markets in which our mobile companies operate.

Marketing

As a general matter, each of our mobile investments operates under its own brand. Our affiliate in Pakistan operates under the Telenor brand. At present, the only exception to this strategy is the djuice brand, a brand that is targeted at the youth segment and which includes products and services, such as special tariff plans, that are tailored to this segment's needs. To date, djuice has been launched in Norway, Sweden, Hungary, Ukraine and Bangladesh.

Similarly, each of our mobile operators is largely responsible for local marketing initiatives. The most notable exception to this general approach is the Nordic Mobile Unit, which is developing a shared product and service portfolio enabling a common marketing approach and swift reuse of proven concepts for our subsidiaries in Norway, Sweden and Denmark. In addition, our mobile companies have developed and implemented a common segmentation model in order to align market offerings and create synergies through common customer segment concepts (such as the djuice brand described above).

Telenor Mobil - Norway

Our wholly-owned subsidiary Telenor Mobil AS (Telenor Mobil) is the leading provider of mobile telecommunications services in Norway. Telenor Mobil offers a broad range of digital services to the Norwegian corporate and consumer market and has extensive experience in providing mobile services and operating mobile communication networks in Norway.

Telenor currently holds three licenses for the provision of GSM-based services in Norway (two GSM 900 licenses and one GSM 1800 license). In connection with the discontinuation of Nordic Mobile

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Telephone - 450 (NMT-450) services on December 31, 2004, we have increased GSM coverage along the Norwegian coast and in some mountain areas by utilizing extended cell technology, which more than doubles the range of coverage. Our GSM network currently covers 99.8% of Norway's population. Upgrade to EDGE technology started in June 2004, and within the first quarter of 2006, Telenor Mobil will use EDGE technology on all GSM-900 sites in Norway. Telenor Mobil was the first Norwegian mobile operator to offer UMTS-based services on December 1, 2004.

Telenor Mobil launched UMTS-based services on December 1, 2004 with a geographic coverage to the homes of approximately 2.4 million people (more than 50% of Norway's population) with a minimum bit rate of 128 kbit/s (compared to a bit rate of approximately 40 kbit/s in the GSM/ EDGE network). As of March 1, 2006, our UMTS coverage was approximately 70.6% of the population with a minimum bit rate of 128 kbit/s. We are required by the regulator to provide such services to approximately 3.75 million people (approximately 80.9% of the population) by March 1, 2007, including 3.2 million with a bit rate of up to 384 kbit/s.

The first of our two licenses in the GSM 900 band, which was due to expire on November 1, 2005, has been renewed until December 31, 2017. The renewal of the license involved capital expenditures of NOK 186 million.

Products and services

Telenor Mobil is the leading provider of digital mobile telephony services in Norway. Although Telenor Mobil intends to continue developing and improving non-voice services, we anticipate that the bulk of Telenor Mobil's revenues will continue to come from voice services. We are therefore committed to improving existing voice services and developing new voice services to meet the needs of retail customers in all segments, including the corporate segment.

In addition to voice services, Telenor Mobil offers a broad range of advanced non-voice services to its retail subscribers, including SMS, MMS, content services, mobile Internet/intranet, e-mail access, mCommerce and video telephony.

In addition to providing voice and non-voice services to retail subscribers, Telenor Mobil also offers wholesale services to Mobile Virtual Network Operators (MVNOs), national roaming and service providers. MVNOs and national roaming providers only purchase access to network capacity, while service providers also purchase other services, such as SIM card production. Telenor Mobil also has a national roaming agreement with Teletopia.

Marketing and distribution

The Norwegian market is a highly developed and competitive market. Following the introduction of mobile number portability in November 2001, the mobile market has seen increased churn levels, consolidation among service providers and increased marketing efforts by various providers targeting both low and high value segments. In recent years, Telenor Mobil's marketing and distribution efforts have become increasingly customer segment-oriented in order to ensure strength in both the business and consumer markets. During 2005, Telenor launched a new contract subscription portfolio for the consumer market. The portfolio is targeted towards all of our customer segments by including a variety of subscription plans differentiated according to minutes used and messages sent.

During 2005, Telenor Mobil continued to focus its efforts on churn reduction, particularly with respect to its most valuable customers. As a part of this effort, Telenor Mobil has implemented specific holdback and winback activities such as reducing selected prices and simplifying mobile tariffs. Other marketing initiatives have focused on improving network quality and customer service levels.

Telenor Mobil distributes its mobile telecommunications services through its own retail stores, the Internet and independent distributors. The total number of distribution outlets was approximately 12,000 at December 31, 2005. All of Telenor Mobil's distribution outlets offer prepaid cards, while approximately 1,300 offer contract subscriptions. In addition, prepaid cards can now be purchased in kiosks, petrol stations

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and supermarkets across Norway. ATMs and mCommerce may also be used to recharge prepaid accounts, in addition to prepaid cards.

Customers*Retail*

Since 2001, growth in total subscriptions in the Norwegian mobile market has slowed down due to a high market penetration rate and increased competition from other network operators and service providers. Despite increased competition and slowed growth in total subscriptions in the market, Telenor Mobil continued to increase its subscription base during 2005. The increase is larger in Telenor Mobil's contract segment compared to its prepaid segment.

As of December 31, 2005, Telenor Mobil had approximately 2.73 million subscriptions for digital mobile telephone services in Norway, which represent approximately 56% of the total market in Norway. Telenor Mobil's estimated net growth in new digital subscriptions was 108,000.

The table below shows selected subscription data for Telenor Mobil's retail services (both digital and analog) on the dates specified.

	Year ended December 31		
	2003	2004	2005
Mobile subscriptions (period end, 000s):			
Digital			
<i>Contract</i>	1,228	1,395	1,509
<i>Prepaid</i>	1,099	1,228	1,232
Analog	37	22	
Total	2,364	2,645	2,731
Subscriptions through service providers and MVNOs	487	540	660
Mobile Telephony Penetration in Norway	90%	102%	107%
Churn rates for contract subscriptions	21%	15%	21%

Although Telenor Mobil remains the leading mobile service provider in Norway, it is facing increased competition from other network operators and service providers, some of which have a service provider arrangement with Telenor Mobil to use its network. Telenor Mobil's increase in churn from retail subscribers in 2005 is mainly due to the change in minimum contract period in 2004 from 18 months to 12 months, providing for a high number of expiring contracts in the late summer of 2005.

Wholesale

Telenor Mobil currently has 7 service provider agreements. The service providers use Telenor Mobil's network to offer mobile services in the market. It is the service provider's responsibility to handle customer services, invoicing, marketing, and sales to the end user. They use their own branding, can bundle products and set their own prices.

During the past year, there has been substantial consolidation in the service provider market. Ventelo has acquired several service providers operating on Netcom's network and has moved their traffic to Telenor Mobil's network. Telenor Mobil's largest service provider, Chess, has been bought by TeliaSonera and our service provider contract with Chess has been terminated. Chess's traffic will be moved to Netcom's network during 2006.

In addition to service provider agreements, Telenor Mobil offers MVNO agreements. Tele2 has been operating as an MVNO on Telenor Mobil's network since 2003, and Ventelo and TDC have in the first

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quarter of 2006 signed MVNO agreements and are expected to launch mobile virtual networks services on Telenor Mobil s network in 2006.

Both service providers and MVNOs have access to Telenor Mobil s GSM and UMTS network.

Traffic

The following table sets forth selected traffic data for Telenor Mobil s retail subscriptions. Digital data includes both contract and prepaid traffic in each of Telenor Mobil s digital networks, while analog data includes customers in Telenor Mobil s NMT networks (NMT 450 up until December 2004).

	2003	2004	2005
<i>Traffic:</i>			
Digital			
Total outgoing traffic (in million of minutes)	3,048	3,438	3,908
Total incoming traffic (in million of minutes)	1,832	1,939	2,017
Average monthly incoming and outgoing traffic (minutes per digital subscription)	176	184	184
Number of outgoing SMS, MMS and content messages (in millions)	2,409	2,785	3,459
Analog			
Total outgoing traffic (in million of minutes)	36	23	
Total incoming traffic (in million of minutes)	14	9	

Total outgoing traffic has increased in 2005 compared to 2004 due to the increased number of subscriptions and increased outgoing minutes per user. Total incoming traffic has increased in 2005 compared to 2004 due to the increased number of subscriptions, partly offset by decreased incoming minutes per user. Average minute per user was stable in 2005 compared to 2004. Total SMS, MMS and content message increased in 2005 compared to 2004 due to the increased number of subscriptions and increased number of messages per user.

Competition

As of December 31, 2005, Telenor Mobil had a share of 56% in the mobile telephone subscriptions market in Norway. Our main competitor is NetCom, a wholly-owned subsidiary of TeliaSonera, with a market share of 26% as of December 31, 2005. The third GSM network operator in Norway is Teletopia, with a market share of less than 1%. In addition, there were 21 service providers and one mobile virtual network operator (Tele2) in the Norwegian mobile telephone market as of December 31, 2005.

Three operators currently hold UMTS licenses in Norway: Telenor Mobil, NetCom and Hi3G. NetCom launched UMTS-based services in March 2005. Hi3G has not announced any plans to launch UMTS-based services.

Telenor Mobil competes primarily on the basis of price, quality of network service, quality of customer service and the range of advanced products and services offered. Telenor Mobil believes that it has been able to sustain its high market share primarily through new market offers and by focusing on customer care.

Regulatory matters

Current Norwegian telecommunications regulations impose cost-oriented pricing requirements on mobile network operators with significant market power in the national market for interconnection. Both NetCom and Telenor Mobil have been found to have significant market power in this market.

In September 2005, the Norwegian regulatory authorities decided to reduce interconnection charges in the Norwegian market for mobile telephony. Prior to the decision, the interconnection charges consisted of a call set up charge of NOK 0.20 and a charge per minute of NOK 0.63. From November 1, 2005, we were instructed to reduce our interconnection charges, including set-up charges, by NOK 0.05 to NOK 0.68. From

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July 1, 2006, a further adjustment of Telenor Mobil's interconnection charges of NOK 0.03 will reduce our charges to NOK 0.65. Telenor Mobil has appealed the decision, and enforcement has been temporarily suspended until a final decision is made.

A new national legislative framework for the electronic communications sector was adopted in 2003 and 2004. In accordance with the new framework, the Norwegian Post and Telecommunications Authority is conducting an analysis of competition in the relevant national markets and will determine whether to impose, maintain, amend or withdraw obligations on undertakings that were found to have significant market power. For a further discussion of regulatory issues affecting Telenor Mobil, you should read Regulation .

Sonofon Denmark

Telenor's fully-owned subsidiary, Sonofon, is the second largest mobile operator in Denmark (as measured by number of subscriptions), with an estimated market share of 26.6%.

Sonofon currently holds 4 licenses: a GSM license, two GSM 1800 licenses and, from December 2005, a UMTS license acquired for NOK 574 million, of which NOK 143 million was paid in 2005 and the remaining amount in ten annual installments. Under the terms of the UMTS license, our network coverage must exceed 30% of the population by 2009 and 80% of the population by 2013.

Products and services

Sonofon's mobile communications business offers voice traffic and value added services (non-voice services) to customers in both the consumer and business segment. Non-voice services include SMS and MMS, mobile Internet access via WAP and content services. Content provided exclusively to Sonofon subscribers pursuant to arrangements with partners is an important point of differentiation between Sonofon and our competitors. In 2005, Sonofon strengthened its mobile data concept targeted at the business segment by providing business customers access to the corporate network on their mobile phones.

In addition to offering voice and non-voice services on a retail basis, Sonofon also offers wholesale mobile network services to a number of service providers, most notably Debitel Denmark, and to an MVNO (Tele2).

We expect to launch 3G services in major Danish cities to business consumers during 2006. Subsequently, we will launch 3G services to retail consumers.

Marketing and distribution

Sonofon aims to protect its market position as the second leading mobile operator by offering a range of simplified and user-friendly products and services. During 2005, we increased our efforts to improve the customer base by increasing average revenue per user per month (ARPU) and average minutes per user per month (AMPU) and decreasing churn. The focused efforts have been successful as customer and traffic figures below indicate. Initiatives including packaged offers and flat rate products have been an important reason for the significant growth in traffic experienced in 2005. Focused customer relationship management activities have helped to bring the churn rate to a historically low level.

An increasingly important segment in Denmark is the youth segment, which tends to use the Internet, both as a means of purchasing subscriptions and as a means of accessing customer service more than other segments. Increased emphasis is placed on marketing competitive web-based products and services. At the beginning of 2006, we launched packaged solutions aimed at the youth segment.

Sonofon's primary distribution avenues are its own retail chain (Sonofon Partner , which covers all of Denmark) and external distributors. Among external distributors, Sonofon concentrates on distribution chains with the best coverage of its target segments. To strengthen its long-term distribution, Sonofon has recently begun to develop alternative channels of distribution, including web based distribution.

Table of Contents**Customers**

The following table sets forth selected subscription data for Sonofon on its GSM network:

	Year ended December 31		
	2003	2004	2005
Mobile subscriptions (period end, 000s):			
Digital			
<i>Contract(1)</i>	772	813	859
<i>Prepaid(2)</i>	238	462	425
Total own subscriptions	1,010	1,275	1,284
Subscriptions through service providers	407	185	216
Fixed-line customers(3)	448	461	127
Mobile Telephony Penetration in Denmark	82%	88%	89%
Churn rates for contract subscriptions	38.6%	33.1%	24.4%

(1) Contract subscriptions for the year end 2004 have been adjusted. SIM-cards used for telemetric applications are now excluded from the figures.

(2) The number of prepaid subscribers for the years ending 2004 and 2005 includes subscribers of CBB Mobil, a service provider which Sonofon acquired during 2004. CBB Mobil has continued to operate under its own name and brand.

(3) Figures from 2003 and 2004 are not comparable with 2005 figures as the method of calculation was adjusted in 2005 from the number of phone numbers published to the number of fixed lines actually sold.

Traffic

The following table sets forth selected traffic data for Sonofon retail customers. The data refers to traffic generated by both contract and prepaid customers.

	2003	2004	2005
GSM			
<i>Traffic(1):</i>			
Total outgoing traffic (in millions of minutes)	1,027	1,192	1,679
Total incoming traffic (in millions of minutes)	701	826	1,013
Average monthly incoming and outgoing traffic (minutes per digital subscription)	145	148	179
Number of outgoing SMS and content messages (in millions)	809	1,273	1,755

(1) Data for 2004 and 2005 includes traffic generated by CBB Mobil subscriptions.

Sonofon has experienced a significant traffic growth from retail customers from 2004 to 2005 with a 41% growth in outgoing traffic and 23% growth in incoming traffic. Improvement of the customer mix and introduction of flat rate products and package solutions has also led to a 21% increase in AMPU. Similar growth has occurred for outgoing SMS and content messages with a 38% increase in 2005 compared to 2004.

Competition

In addition to Sonofon, there are two other GSM network operators in Denmark: TDC Mobil and TeliaSonera DK. UMTS licenses are currently held by Sonofon, TDC Mobil, TeliaSonera and Hi3G. Sonofon acquired a UMTS license for Danish Krone (DKK) 533 million in December 2005 in the re-auctioning of a

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UMTS license that had been handed back to the National IT and Telecom Agency (NITA) by TeliaSonera following its takeover of Orange Denmark in 2004.

Taking into account the retail subscriptions of Sonofon and CBB Mobil, Sonofon had an estimated 26.6% market share as of December 31, 2005. Our main competitors are TDC Mobil, with an estimated market share of 41.1%, and TeliaSonera, with an estimated market share of 21.2%. Hi3G had an estimated market share of 2.3%.

Regulatory matters

Sonofon has been designated as having significant market power (SMP) in the Danish mobile communications market, and as a consequence is subject to a number of obligations in regards to mobile access and mobile termination, including the obligation to meet all reasonable requests for interconnection agreements on transparent, objective and non-discriminatory terms. Furthermore, accounting separation is mandatory and interconnection agreements have to be made publicly available. Currently, no cost obligations apply to either mobile access or mobile termination charges.

Following the market analysis as provided by EU Framework, the Danish regulatory authorities in January 2006 decided to reduce the interconnection charges in the Danish market for mobile telephony. From May 1, 2006, Sonofon is required to reduce its interconnection charges, including set-up charges, from the current DKK 0.94 to 0.96 range to DKK 0.84. From May 1, 2007, the interconnection charges will be reduced further to DKK 0.72 and, from May 1, 2008, to DKK 0.62. Sonofon has decided to appeal the decision.

With respect to the market for mobile access, The NITA has published its final decision withdrawing all existing obligations on this area. The decision comes into effect on September 1, 2006.

In November 2005, the Prime Minister's office published a plan of action against terrorism in Denmark. Implementing the plan may lead to increased operating costs for the Danish telecommunications industry. If requirements in the plan are approved at the current level, the Danish telecommunications industry estimates costs in the range of DKK 1 to 2 billion.

Telenor Mobile Sweden – Sweden

Following the acquisition of Vodafone Group's Swedish mobile operations, we are now the third largest mobile operator in Sweden, with 1.7 million subscriptions and a market share of approximately 17%.

We entered into the agreement to acquire Vodafone Sweden (Europolitan Vodafone AB) for EUR 1,035 million (NOK 8,170 million), including assumed debt, on October 31, 2005, and the acquisition was completed on January 5, 2006. We expect to achieve full integration of Vodafone Sweden and Telenor Mobile Sweden during the first half of 2006.

The acquisition has increased our Scandinavian mobile customer base by approximately 39 per cent, totaling 5.7 million subscribers as of December 31, 2005. In addition, the acquisition strengthens our presence in the business segment, where large business customers to an increasing degree demand seamless communications solutions across Nordic countries. Under a partnership network agreement between Telenor and Vodafone for Sweden, our customers will have access to Vodafone products and services in the Swedish market.

In September 2002, our wholly-owned subsidiary Telenor Mobile Sweden entered into a MVNO roaming agreement with Tele2 which allows us to provide mobile telecommunications services based on Tele2's GSM and UMTS networks in Sweden. The agreement's duration is five years. However, following price reductions in the Swedish market and reduced expectations with respect to future earnings potential concerning the contract in 2004 and our purchase of Vodafone Sweden in 2005, Telenor Mobil Sweden has provided for NOK 562 million and NOK 414 million as an estimated loss on the MVNO contract for 2004 and 2005, respectively. Please see Item 5: Operating and Financial Review and Prospects – Telenor Mobile Sweden – for more information.

Table of Contents**Products and Services**

Telenor Mobile Sweden positions itself as an innovative and quality operator that seeks to provide simple and user-friendly products and services at a low cost. Revenues from Telenor Mobile Sweden's core business of voice services include traffic charges, interconnection fees and roaming charges. In addition to voice services, Telenor Mobile Sweden offers data services such as SMS and MMS, content services based on premium SMS and Internet access via WAP.

Customers

As of December 31, 2005, Telenor Mobile Sweden had approximately 95,000 subscriptions (down from approximately 105,000 subscriptions at December 31, 2004). Telenor Mobile Sweden estimates that it had an overall market share of 1% as of December 31, 2005. Vodafone Sweden had approximately 1.6 million subscriptions and a market share of approximately 16% as of December 31, 2005.

Traffic

The following table sets forth selected traffic data for Telenor Mobile Sweden's subscriptions.

	2003	2004	2005
GSM			
<i>Traffic:</i>			
Total outgoing traffic (in millions of minutes)	28.2	56.8	75.4
Total incoming traffic (in millions of minutes)	11.7	60.3	93.5
Average monthly incoming and outgoing traffic (minutes per digital subscription)	49	111	132

The strong increase in incoming traffic is related to the change in customer mix from 2003 to 2005. During 2005, Telenor Mobile Sweden only has had MVNO customers with incoming traffic compared to 2003 when the customer base consisted of mainly service provider customers without incoming traffic.

Competition

The Swedish mobile market is a mature market with a penetration rate of approximately 110%. Each of TeliaSonera, Vodafone (whose license we have acquired as a result of our acquisition of Vodafone Sweden) and Tele2 hold GSM licenses and operate GSM networks. The fourth GSM license holder in Sweden is SweFour, which provides GSM network capacity to service providers on a wholesale basis.

There are four UMTS licenses of which TeliaSonera and Tele2 hold a single UMTS license through their joint venture Svenska UMTS-nät AB. In 2005, Vodafone (whose license we have acquired as a result of our acquisition of Vodafone Sweden) and Hi3G Access each had one UMTS license but they also had a cooperation agreement regarding network coverage outside the major metropolitan areas in Sweden. In addition to the cooperation agreement regarding the UMTS coverage, Hi3G Access has a national roaming agreement with Vodafone for GSM access. Hi3G Access has commercially launched UMTS-based services under the brand name 3. The fourth UMTS license was returned to the Swedish regulator by Orange in 2005. No decision has been made by the regulator as to the possible re-use of this license.

Regulatory matters

In 2004, the Swedish regulator determined that our youth brand Djuice has significant market power in the market for mobile voice call termination services and, as a consequence, will be required to reduce its interconnection fees from 0.97 SEK/minute to 0.52 SEK/minute by 2007.

Pannon GSM Hungary

Our wholly-owned subsidiary Pannon GSM (Pannon) is the second largest mobile operator in Hungary based on the number of subscriptions. Pannon currently holds two GSM licenses (GSM 900 and GSM 1800)

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and a UMTS license awarded in December 2004 for 15 years. The license has an extension option for an additional 7.5 years.

Products and services

Pannon offers advanced voice and non-voice services to subscribers on both a prepaid and contract basis. Voice services include international calling using Voice over Internet Protocol (VoIP), which offers subscribers lower-cost international calling. Non-voice services include SMS, MMS, mobile content services and Internet service provider services via Internet Protocol and WAP. Pannon launched EDGE-based broadband services on its network in February 2005 and UMTS-based broadband services in October 2005.

Marketing and distribution

Pannon has made significant investments in establishing its brand name and positioning itself as a provider of high-quality services with up-to-date features, competitive pricing and good customer service. Recently, Pannon has identified the youth segment and provided targeted offers for select services under the djuice brand.

In addition to the 39 Pannon-owned regional service centers, Pannon sells its products through a nationwide network of agents and outlets on an exclusive basis. During 2006, Pannon is restructuring the distribution network by outsourcing 29 of its own shops to various franchisees. Five shops will be kept as flagship stores and five will be closed down.

The quality, number and location of the outlets are evaluated frequently since Pannon seeks to optimize its distribution profile for the market. Pannon also has a direct sales force for major accounts and sales to small and medium-sized enterprises

Customers

The following table sets forth selected subscription data for Pannon:

	Year ended December 31		
	2003	2004	2005
Mobile subscriptions (period end, 000s):			
<i>Contract</i>	595	779	1,025
<i>Prepaid</i>	2,023	1,991	1,904
Total	2,618	2,770	2,929
Mobile Telephony Penetration in Hungary	73%	80%	87%

Mobile penetration rates in Hungary have been increasing, but the subscriber growth rate has been decreasing due to intensifying competition since 2004 for new subscribers. The majority of Pannon's subscriber base subscribes to various prepaid tariff plans. Due to our continued focus on consumer contract and business sales, the percentage of contract subscriptions increased from 28% to 35% during 2005.

Competition

In addition to Pannon, there are two other mobile operators in Hungary: T-Mobile (formerly Westel) and Vodafone, each holding both GSM and UMTS licenses. Pannon estimates that it had a market share of approximately 34% as of December 31, 2005. The market leader, T-Mobile, had an estimated market share of 45%, while Vodafone had an estimated market share of 21%. There are no service providers or MVNOs operating in the Hungarian market for mobile telecommunication services.

Table of Contents***Regulatory matters***

In November 2003, Pannon was identified by the Hungarian regulatory authority as having significant market power (SMP) in both the mobile market and the national market for interconnection. In Hungary, SMP operators are under an obligation to meet various strict legal requirements, such as applying a certain cost model as a basis for interconnection tariffs. Pannon accepted that it is an SMP operator in the mobile market, but filed a complaint against the regulator's determination that it has SMP in the national market for interconnection. Since the decision of the regulator became effective immediately and was not suspended by the court, Pannon has complied with the decision and reduced its interconnection charges by 9% as of June 15, 2004. In January 2006, the Supreme Court of Hungary upheld the regulator's 2003 SMP designation, thus exhausting Pannon's potential judicial remedies with respect to this decision. Although our 2003 SMP designation is final, the Hungarian regulatory authority is reassessing the 2003 SMP designation for T-Mobile in the national market for interconnection.

In January 2005, the Hungarian regulatory authorities again determined that Pannon and T-Mobile (as well as Vodafone) are required to reduce their interconnection charges. The decisions of the regulator to further reduce these charges were challenged by all three mobile operators.

If the designation of Pannon as an SMP operator in the national market for interconnection is ultimately upheld in the cases described above, Pannon's mobile interconnection charges will continue to be regulated and, as a consequence, Pannon's interconnection charges may be adversely affected in the future.

USF contributions

During 2002, Hungarian authorities established a Universal Service Fund (USF) with the aim of compensating universal service providers (i.e., fixed line operators) for offering low tariff packages to certain customer segments. All fixed and mobile operators are required to contribute to the USF in proportion to their revenues. In 2003, legislation was adopted which fixes the maximum contributions paid from 2004 onwards at 0.5% of an operator's annual revenue. In 2002, the regulator determined the amount payable by determining the total amount payable by all operators and then allocating the amount payable by each operator. Pannon paid the required contribution of HUF 1.5 billion, but successfully appealed the requirement in the first instance court. The USF has filed an appeal against this decision which is still pending. In connection with this matter, Pannon has prevailed in its claim for damages against the regulator for discriminatory conduct in the Court of 1st instance. The Regulator has appealed the decision.

Telenor, on behalf of Pannon, has also filed a claim in the International Center for Settlement of Investment Disputes (ICSID) for payments with respect to the 2002 USF. Telenor alleges that the regulator breached an international investment treaty between Norway and Hungary. The Hungarian 2002 USF has insufficient monies to pay the claims presented and a hearing presented against the government on the case is scheduled for the second quarter of 2006 to determine if the ICSID has valid jurisdiction over the case.

On December 6, 2004, Pannon's contribution for 2003 was fixed at HUF 798 million (an amount which reflects the 0.5% ceiling). Pannon successfully appealed this decision in September 2005 and has received the contribution back from the USF.

GVH investigation- The cartel case

In February 2002, the Hungarian Competition Office (GVH) commenced an investigation against all three Hungarian mobile operators, including Pannon, and the fixed line operator, Matav, relating to pricing mechanisms and market practice for call termination charges between 1998 and 2001. A report issued in connection with this investigation alleged that the Hungarian mobile operators abused their dominant position in the call termination market and formed a price cartel in respect of call termination charges. The allegation of abuse of dominant position was ultimately abandoned, while the cartel charges were upheld. In July 2003, the Competition Counsel, an independent body within GVH, found that the mobile operators' activities had led to a distortion of competition and Pannon was fined HUF 150 million. Pannon appealed this decision

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before the Municipal Court of Budapest, and the court suspended the payment of the fine. The authority appealed the decision and the case is still pending. The fine will not be increased on appeal.

DiGi.Com Malaysia

We currently hold a 61% ownership interest in DiGi.Com, the third largest mobile operator in Malaysia. Under current Malaysia's New Economic Policy (NEP), we are required to reduce our ownership interest in DiGi.Com to less than 50% by end of 2006. The NEP also requires at least 30% of the ownership interest in any publicly-listed company to be held by members of the Bumiputera community, the largest indigenous ethnic community in Malaysia. We will be required to comply with this requirement in the second half of 2006, unless we apply for additional extensions. In addition, the Bursa Malaysia Securities Berhad (Bursa Securities) requires that no less than 25% of DiGi's shares, including shares held by institutional investors, be publicly held. The requirement has been satisfied, with public free float of DiGi.Com's shares now exceeding the required amount of 25%.

Products and Services

DiGi Telecommunications Sdn Bhd, a wholly owned subsidiary of DiGi.Com, currently holds a license for the operation of a GSM 1800 network and offers mobile voice, roaming and value-added services on both prepaid and contract basis. DiGi is currently one of the leading operators in the prepaid segment, which is the fastest growing segment in the Malaysian mobile market. With various valued-added services, such as MMS, enriched SMS, mobile content and Internet services, and innovative loyalty schemes, DiGi continues to be at the forefront of product innovation in the Malaysian market. In 2005, DiGi continued to take the innovative position and was first to launch many other new products and services to the market. The company also offers different subscription plans to suit the various needs of its contract customers.

Marketing and Distribution

To reach both current and prospective customers, DiGi has established more than twenty DiGi service centers and cooperates with a large number of dealers throughout Malaysia including a number of DiGi specialised stores which only handle DiGi products and services. DiGi also offers efficient and innovative ways for customers to communicate with its customer service functions via the telephone or Internet.

Customers

The following table sets forth selected subscription data for DiGi.:

	Year ended December 31		
	2003	2004	2005
Mobile subscriptions (period end, 000s):			
<i>Contract</i>	104	172	354
<i>Prepaid</i>	2,101	3,067	4,441
Total	2,205	3,239	4,795
Mobile Telephony Penetration in Malaysia	44%	57%	73%

Total mobile subscriptions continued to increase mainly driven by the simple and relevant product offerings and promotions. The increase also is in line with the industry growth in Malaysian market with penetration rate estimated at 73%.

Competition

DiGi is one of three mobile operators in the Malaysian market. The other two GSM network operators are Celcom, which is Telekom Malaysia's mobile unit, and Maxis, each of which has licenses to operate both GSM 900 and GSM 1800 networks. Telekom Malaysia and Maxis were each assigned a block of the

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3G spectrum in 2002. Under the terms of the assignment, Telekom Malaysia and Maxis are required to offer access to their 3G networks to MVNOs. At present, there are no mobile service providers or MVNOs in Malaysia. Both Maxis and Telekom Malaysia launched their 3G services in the first half of 2005.

As of December 31, 2005, DiGi was the third largest mobile operator in Malaysia, with an estimated market share of 25%. Maxis had a market share of 40% and Celcom had a market share of 35%.

Regulatory issues

The Ministry of Energy, Water and Communication has announced the introduction of a nationwide coverage plan in Malaysia with the objective of achieving significant improvement on population coverage by the end of 2008. DiGi intends to expand its network in accordance with this plan.

The Malaysian Communication and Multimedia Commission (MCMC) has determined new access prices effective for three years, from 2006 to 2008. Among other things, this determination has resulted in lower interconnection rates terminating on mobile network and higher interconnection rates terminating on fixed networks, with effect from February 15, 2006.

Two additional 3G spectrum blocks were tendered by the Malaysian telecommunication authorities in November 2005, and the results were announced in March 2006. DiGi participated in the process but was not successful in its application for a 3G spectrum block. Despite this decision, DiGi remains committed to continue to enhance its mobile and broadband service offering. Today, DiGi has an extensive EDGE network that provides mobile broadband services to the overwhelming majority of Malaysia

Other significant regulatory issues include the issues related to the ownership of DiGi described above.

Total Access Communication PCL (DTAC) Thailand

On October 26, 2005, Thai Telco Holdings (TTH), a 49% subsidiary of Telenor, completed the purchase of a 39.9% stake in United Telecommunications Industry PCL (UCOM). In compliance with relevant stock market regulations in Thailand and Singapore, TTH then launched a mandatory tender offer for all outstanding shares of UCOM and, along with Telenor Asia, a Chain Principle Offer for all of the shares of DTAC that they and their parties acting in concert, as defined by stock market regulation in Singapore, did not collectively own or control. The results of the mandatory tender offer resulted in an increase in Telenor's economic stake in DTAC, held through TTH, UCOM and Telenor Asia, to 69.3% as at December 31, 2005. The Telecommunications Business Act limits the direct ownership of foreign investors in public communications license-holders to 49% of the total issued share capital.

Products and Services

DTAC, which currently has a GSM 1800 and AMPS 800 concession, offers mobile voice, roaming and value-added services to its customers through contract and prepaid tariff plans. DTAC's non-voice services include mobile Internet services based on WAP and EDGE.

Marketing and Distribution

During 2005, DTAC has continued to focus on customer service and adopting an innovative and segmented approach to ensure that the needs of individual customers in both the consumer and corporate segment are met. Distribution, in particular, has been a key element of DTAC's strategy. Key channels of distribution include DTAC shops, independent dealers and non-telecom outlets.

Table of Contents**Customers**

The following table sets forth certain subscription data for DTAC:

	Year ended December 31		
	2003	2004	2005
Mobile subscriptions (period end, 000s):			
<i>Contract</i>	1,167	1,277	1,465
<i>Prepaid</i>	5,383	6,509	7,212
Total	6,550	7,786	8,677
Mobile Telephony Penetration in Thailand	35%	43%	47%

The subscriber base continued to grow in 2005 due to successful marketing activities and stronger brand attributes. The growth however was lower than 2004 due to the slow down in growth in general in the market.

Competition

As of December 31, 2005, DTAC was the second largest mobile operator in Thailand, with an estimated subscriber market share of approximately 28%.

The market leader in Thailand, Advanced Info Service plc (AIS), also owns 97.5% of the fifth largest operator in Thailand, Digital Phone Company (DPC). At December 31, 2005, we estimate that the combined market share of AIS and DPC was 54%. The other mobile operators in Thailand are TA Orange, with a market of approximately 15%, and Hutchinson-CAT Wireless Multimedia and Thai Mobile, with a combined market share of 3%.

Regulatory matters

DTAC has a service concession arrangement where the Communication Authorities of Thailand (CAT) has granted DTAC the right to build, transfer and operate a mobile network in Thailand. In return for the right to provide mobile services for a fixed period, mobile operators must build out their infrastructure, and then transfer ownership of the infrastructure to the government and pay a concession fee, or revenue share, to the CAT and a 10% excise tax. The revenue share to CAT will increase from 20% to 25% in September 2006. The excise tax is included in the total amount of the revenue share.

The government has proposed several frameworks for the conversion of previously issued concessions into licenses, but no proposal has yet been adopted. The process of conversion is dependent on successful bilateral commercial negotiations between the CAT and the Telephone Organization of Thailand (TOT), on the one hand, and concession holders on the other. The NTC is currently drafting competition regulations for the mobile market, which are expected to be adopted during 2006 and form the backbone of the regulatory environment in Thailand.

At present, mobile operators in Thailand generally operate under a sender keeps all regime, a system in which the service provider originating a call keeps the entire revenue derived from it, since no interconnection regime is currently in place. The exception to this rule is that concessionaires of the CAT, such as DTAC, must compensate the TOT for the use of its fixed network. The establishment of a new interconnection regime, as provided for in the Telecommunications Business Act, is currently being discussed.

DTAC has filed claims against Digital Phone Company Limited (DPC) in the Thai Arbitration Court in June and August 2003 for the DPC's breach of contract of more than NOK 241 million pursuant to the terms of an agreement to unwind the service provider agreement dated January 7, 1977. DTAC had previously recognized approximately NOK 100 million revenues of the NOK 241 million amount claimed.

The CAT brought an action against DTAC for payment of royalty fees for in the amount of NOK 112 million. DTAC disputes the method CAT used to calculate fees.

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A recent assertion has been made by Telecom Public Company Limited against DTAC relating to the manner in which a certain discount shall be calculated. This will impact the revenue sharing between DTAC and Telecom Public Company Limited. An external legal opinion provided to DTAC agrees with the DTAC method of calculation. The dispute involves a difference of about NOK 76 million.

Kyivstar Ukraine

We have a 56.5% ownership interest in Kyivstar GSM, a major mobile operator in Ukraine. The only other shareholder is Storm LLC (Storm), with a 43.5% ownership interest. Storm LLC is 100% indirectly owned by Alfa Group. Kyivstar's board of directors consists of nine members, five of which are nominated by Telenor and four of which are nominated by Storm, as provided by Kyivstar's shareholder agreement and charter.

Kyivstar currently owns a GSM 900 and GSM 1800 license. Kyivstar's GSM network had geographical coverage of approximately 92% and population coverage of approximately 96% as of December 31, 2005. Kyivstar's network is fully GPRS upgraded.

Kyivstar launched EDGE in 2005, which at the end of year was operational in approximately half of the base stations of the 10 largest cities in Ukraine. In addition, Kyivstar continued to roll-out its own fiber backbone network during 2005.

Products and services

In addition to voice telephony, Kyivstar provides voice messaging services, SMS, MMS and mobile internet services. In 2004, Kyivstar launched djuice, a product offering that targets the youth segment, and introduced campaigns with distribution of free start packs to targeted segments, including the youth segment.

Marketing and distribution

Kyivstar distributes its products and services through both indirect sales channels (dealers, retailers, wholesalers) and direct sales channels (telemarketing and direct contact). The company also entered into co-branding agreements with selected companies.

In order to attract and retain subscribers, Kyivstar focuses on providing a high level of customer service and care. At December 31, 2005, Kyivstar had 72 visitor centers throughout Ukraine. Visitor centers are independent dealers that have at least one of Kyivstar's own employees on the staff. At December 31, 2005, Kyivstar also operated 18 information centers in the main urban areas.

Customers

The following table sets forth selected subscription data for *Kyivstar*

	Year ended December 31		
	2003	2004	2005
Mobile subscriptions (period end, 000s):			
<i>Contract</i>	534	720	1,024
<i>Prepaid</i>	2,503	5,532	12,901
Total	3,037	6,252	13,925
Mobile Telephony Penetration in Ukraine	14%	29%	64%

Kyivstar's strong customer increase has been driven by the fast growth in market penetration and by attractive product and service offerings.

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Traffic

Average monthly minutes of usage per subscriber increased in 2005 from 91 minutes per month in the first quarter to 108 minutes per month in the fourth quarter.

Competition

As of December 31, 2005, Kyivstar was Ukraine's largest mobile operator, with a market share of approximately 46%. The second largest mobile operator Ukrainian Mobile Communications (UMC), which is owned by the Russian group Mobile Telesystems, had a market share of approximately 44%.

Life:), a brand which is operated by Astelit, a company owned by DCC and Türkcell, had approximately 2.7 million subscribers and a market share of approximately 9% by the end of 2005. Astelit holds a GSM 1800 license and launched services in January 2005.

In November 2005, the Russian company VimpelCom announced to have acquired 100% of the Ukrainian mobile operator Ukrainian Radio Systems (URS), which operates the WellCom brand. In October 2005, URS received a GSM 1800 license (not full national coverage) in addition to its GSM 900 license. Telenor owns a 29.91% ownership stake in VimpelCom. For more information, see VimpelCom Russia and other CIS Countries.

Further, there are two smaller mobile operators in Ukraine, including Golden Telecom Ukraine (GSM 1800) a wholly owned subsidiary of Golden Telecom, Inc. in which Telnor has a 20.3% ownership interest. Together, these operators had a market share of approximately 1% as of December 31, 2005.

Regulatory matters

Under the Law on Telecommunications, a National Commission for Regulation of Communication (NCRC) was established, which was intended to begin regulating the telecommunications sector from January 1, 2005. However, in January 2005, the President Viktor Yushchenko dismissed the commission appointed by the previous President, Leonid Kuchma, and appointed a new commission on April 21, 2005. However, this appointment is legally disputed. If the appointment is deemed invalid, a new commission has to be appointed, and all decisions made by the existing commission may be declared null and void.

The NCRC established in February 2006 new rules for settling interconnection issues. The new tariffs were established by commercial negotiations between operators and active involvement by NCRC.

As a result of a recent decision by the Cabinet of Ministers, 76% of relevant spectrum is now dedicated for civil use. As there are no available funds for conversion, the use of this spectrum has not started. Proposals from the Ministry of Transport and Communication and NCRC propose some kind of upfront payment for operators to finance conversion.

The state owned incumbent Ukrtelecom received a 3G license in December 2005 including the necessary relevant spectrum without having to go through any formal tendering process. The Ministry has proposed that additional 3G licenses will be made available during 2006/2007.

The Antimonopoly Committee of Ukraine has requested all mobile operators to abolish call set-up charges as part of their tariffs, but since none of the mobile operators are currently deemed to exercise monopolistic market power, the Antimonopoly Committee cannot regulate these tariffs. The Antimonopoly Committee has begun a new investigation to determine if Kyivstar does exercise monopolistic market power. In previous similar investigations and during periods with less market players in the mobile sector, the Committee has declared that none of the mobile operators exercise monopolistic market power.

NCRC has begun drafting an amendment to the Law on Telecommunication regarding Universal Service Obligations, including proposals on how to finance the amendments.

Table of Contents***Legal proceedings***

Over the past year, Storm has in a number of instances failed to have at least one representative from Storm attend Kyivstar's shareholder and board meetings. For a valid quorum to be present at Kyivstar's shareholder meetings, Ukrainian law requires the attendance of shareholders holding more than 60% of a company's share capital and, for a valid quorum to be present at board meetings, Kyivstar's charter and shareholder agreement require the attendance of at least one director from Storm. Storm and certain of their affiliates have also filed a number of related lawsuits in the Ukrainian courts contesting, among other things, the validity of parts of Kyivstar's shareholder agreement and charter. These lawsuits contest the ability of Kyivstar's chief executive officer to carry out his delegated duties, and the validity of previous decisions made by members of Kyivstar's board of directors. Telenor believes that these lawsuits are without merit and is vigorously contesting all of the claims that are currently pending in Ukrainian courts. In accordance with Kyivstar's shareholder agreement, Telenor also commenced in February 2006 an arbitration proceeding in New York against Storm for violating the Kyivstar shareholders agreement. Telenor has also proposed technical changes to Kyivstar's charter to ensure that the Kyivstar board continues to function in accordance with the shareholder agreement, but the actions of Storm described above, including the failure of Storm or its nominees to attend meetings, could still adversely affect the ability of Kyivstar to operate and compete effectively.

Kyivstar along with other major mobile operators in Ukraine are disputing the Ukrainian Tax Authority's claim for value added tax, or VAT, on the Pension Fund Duty charged on subscriber's phone bills. Kyivstar considers this an invalid tax. Kyivstar has exhausted its administrative remedies available in the Ukraine and proceeded to seek further relief in the Ukrainian Kyiv City Commercial Court. Lower court decisions in February 2006 were issued invalidating the tax claim concerning the same issues involving another mobile operator in the Ukraine as well as Kyivstar. The Ukrainian Tax Authority has decided to appeal these rulings, but Telenor has decided not to make any provision for this litigation.

GrameenPhone Bangladesh

Our 62%-owned subsidiary GrameenPhone is the leading provider of mobile telecommunication services in Bangladesh (based on the number of subscriptions).

GrameenPhone currently holds both a GSM 900 and GSM 1800 license. The government has not yet announced any plans to issue UMTS licenses in Bangladesh.

Product and services

In addition to core voice services, GrameenPhone offers a number of value-added services, in each case on both a contract and prepaid basis. Value-added services include voice messaging services, SMS, MMS and data services via WAP. GrameenPhone services are widely perceived as having the most advanced and up-to-date features in the Bangladeshi market. For example, GrameenPhone was the first Bangladeshi mobile operator to launch WAP in 2001 and interactive SMS in 2003. Additionally, GrameenPhone offers the widest population coverage in the market, increasing from approximately 58% in 2004 to approximately 85% in 2005. In addition, GrameenPhone also offers GPRS in most of the country and EDGE in urban areas. In February 2006, GrameenPhone awarded a two-year frame agreement to expand and upgrade its GSM/EDGE network. The contracted party will supply core and radio network equipment in addition to a range of other services. The contract will include Mobile Softswitch Solution and IP Multimedia Subsystem (IMS) which will enable GrameenPhone to significantly enhance network quality, performance and coverage.

Marketing and distribution

GrameenPhone is taking an active role in the distribution of its services following a change in its distribution strategy during 2004. While the previous structure was based on a few key dealers that managed all distribution to the point of sale, GrameenPhone is now distributing directly to the point of sale through regional distribution centers. GrameenPhone will be able to reduce commission costs substantially at the same time as obtaining increased control at the end user point of sale.

Table of Contents**Customers**

The following table sets forth selected subscription data for GrameenPhone.

	Year ended December 31		
	2003	2004	2005
Mobile subscriptions (period end, 000s):			
<i>Contract</i>	242	296	383
<i>Prepaid</i>	899	2,092	5,159
Total	1,141	2,388	5,542
Mobile Telephony Penetration in Bangladesh	1.3%	2.8%	6.2%

Based on the low current levels of mobile penetration, GrameenPhone expects strong growth in total subscribers in the future. At present, the number of billable minutes per customer in GrameenPhone is approximately 223 minutes per month.

Competition

As of December 31, 2005, GrameenPhone estimates that it had a market share of approximately 62%. Besides GrameenPhone, there are five other mobile operators in Bangladesh: Aktel (with a market share of approximately 23%), Banglalink (with a market share of approximately 9%), Citycell (with a market share of approximately 4%), Teletalk (with a market share of approximately 1.8%) and Warid Telecom, which won its mobile phone license in December 2005.

Regulatory matters

On June 9, 2005 the authorities in Bangladesh introduced a new fee per unit of sale of SIM cards of 900 BDT (approximately NOK 90). The SIM card fee is to be collected by the operators. At the same time, the import tax for mobile handsets has been reduced from 1500 Bangladeshi Taka (approximately NOK 150) to 300 Bangladeshi Taka (approximately NOK 30).

Under the licenses granted to mobile operators in Bangladesh, all mobile operators are required to collect an annual license fee and royalty from each subscriber (GRLF). In November 2002, pursuant to a stay order issued by the Supreme Court, the Bangladesh Telecommunication Regulatory Commission (BTRC) instructed operators to stop collecting the fee from customers. In August 2004, the stay order was vacated and, in September 2004, BTRC issued a letter to GrameenPhone instructing it to make a payment in respect of the fee and royalty. It was unclear whether this instruction applies to fees and royalties that would otherwise have been collected in 2002, 2003 and 2004, or if it only applies from the date of the letter onwards. While GrameenPhone has collected the license fee from new users up until February of 2005, it has not collected fees from existing users following the court order. On March 20, 2006, the BTRC clarified these issues partially and announced that, with effect from July 1, 2005, all mobile operators must pay an annual license of 50 million Bangladeshi Taka, an annual revenue share of 5.5% on collected line rental and call charges and quarterly network spectrum charges as fixed by the BTRC. The BTRC's decision, however, does not resolve the issue of whether fees must be collected from existing subscribers from November 2004 to June 30, 2005. The legitimacy and amount of the request for payment for this period has not yet been clarified and is still subject to negotiation between us and the BTRC. We are of the opinion that necessary payments for the royalty and license fees have been made to the BTRC. If it is determined that GrameenPhone is required to make a payment for this period, it will be extremely difficult for GrameenPhone to collect any such amounts from existing subscribers. If it is determined that no obligation to collect fees during that period existed, GrameenPhone might still be subject to claims from customers for reimbursement of license fees paid by them.

The regulatory regime in Bangladesh currently requires mobile operators to give BTRC 15 days notice of any price changes. Such changes may only be implemented with BTRC's approval. In addition, the

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Parliamentary Standing Committee (MOPT) has recently instructed BTRC to instruct mobile operators to decrease tariffs. If BTRC does not approve any proposed price changes or acts upon the MOPT's instructions, GrameenPhone's tariffs could be adversely affected in the future.

Telenor Pakistan Pakistan**Overview**

Our wholly owned subsidiary, Telenor Pakistan, launched its GSM mobile network on March 15, 2005 and had a market share (based on the number of subscriptions) of approximately 9% as at December 31, 2005. Telenor was awarded its license to build and operate a mobile network in Pakistan in April 2004 for 291 million U.S. dollars. Telenor Pakistan paid half of the amount upfront in May 2004, with the remaining half payable in equal installments over 10 years starting in 2009. The nationwide license, which does not include Azad Jammu and Kashmir (AJK) or the Northern Areas, is valid for a 15 year period and is renewable upon application.

Within 4 years of the effective date of the license (May 2004), Telenor Pakistan will be required to provide coverage to 70% of the 298 Tehsils in Pakistan with a minimum of 10% of Tehsil Headquarters in each province. A Tehsil (or sub district) is the smallest administrative area defined by the government and this obligation will require Telenor Pakistan to provide services to many areas of the country that currently have limited coverage, with potentially low average revenue per user. In order to facilitate coverage for such areas, the government has established a universal service fund and requires mobile operators to contribute 1.5% of their revenues to the fund. In connection with its obligation to provide services in the Tehsil headquarters, Telenor Pakistan is engaged in ongoing discussions regarding its share of the fund.

Product and services

In addition to basic voice services, SMS and MMS, the company also offers mobile data services to all its customers. The company rolled out its GSM network rapidly during 2005 and had the fastest growing mobile network in the country during the year. The network currently being rolled-out is WAP and GPRS enabled and EDGE compatible. In addition, the company holds a Long Distance and International (LDI) license through which it is providing nationwide and international call services.

Marketing and distribution

As on December 31, 2005, Telenor Pakistan was distributing its services through a network of 13 company owned sales and service centers, 58 franchisees and about 18,000 retail outlets selling subscriptions and refills.

Customers

The following table sets forth selected subscription data for Telenor Pakistan.

	Year ended December 31, 2005
Mobile subscriptions (period end, 000s):	
<i>Contract</i>	32
<i>Prepaid</i>	1,836
Total	1,868
Mobile Telephony Penetration in Pakistan	13%

Based on the currently low levels of mobile penetration, Telenor Pakistan expects strong growth in total subscribers in the near to medium-term. At present, the number of billable minutes per customer in Telenor Pakistan is approximately 140 minutes per month.

Table of Contents***Competition***

Warid Telecom, which is controlled by a consortium based in United Arab Emirates, won the other of the licenses issued in 2004. In addition to Telenor Pakistan and Warid Telecom, there are four other mobile operators in Pakistan. Mobilink, which is the largest cellular mobile operator in Pakistan, held a market share of approximately 51% as of December 31, 2005. Ufone, the second largest operator by subscribers, held a market share of approximately 24% as of the end of 2005. The remaining two operators, Paktel and Instaphone, have market shares of roughly 5% and 2%, respectively.

Regulatory matters

Pakistan began to liberalize its telecommunications sector in July 2003 when the government announced the end of the five decade old monopoly of the state-run Pakistan Telecommunication Company Limited (PTCL). This liberalization continued with the awarding of mobile network licenses to us and Warid Telecom in 2004.

As a continuation of the deregulation process which began in 2003, the government agreed to sell a 26% stake in PTCL, which owns the second largest mobile operator, Ufone, to Etisalat, the UAE based incumbent telecommunications operator, in June 2005. However, the transaction was renegotiated in the second half of 2005 and is not expected to be completed until April 2006. Telenor Pakistan, along with other private operators in Pakistan, has requested the government bring PTCL under the same licensing regime as the other mobile network in connection with this transaction. Moreover, Telenor Pakistan requested the government ensure predictability and that PCTL's rates for leased media, such as domestic private leased circuits, digital interface units and co-location rentals are not revised upwards. Telenor Pakistan believes that such steps are necessary to maintain a fair and competitive environment for private operators.

In connection with the deregulation of fixed-line telephony in Pakistan, most local loop licensees are opting to use wireless in local loop systems to provide fixed wireless access solutions. For this purpose, the government has auctioned 4 frequency bands (450, 479, 1900 and 3500 MHz) to enable local loop operators to launch fixed wireless access solutions. These developments may result in competition increasing in the market for mobile services since it may enable local loop operators to offer mobile services as well. Telenor Pakistan and the GSM Association where Telenor is a member, have requested regulators to enact policies that prevent local loop operators from providing mobile services. In July 2005, The Pakistan Telecommunication Authority (PTA) issued a determination limiting the mobility of wireless local loop operators to a single pre-assigned radio base station (BTS). However, the majority of the WLL operators continue to exceed the lawful limits of mobility. We, along with other mobile operators, have been raising specific cases of violations with the PTA and pressing the PTA to enforce its determination.

In July 2005, the government regulator reduced the per minute interconnection rate from 2 Pakistani rupees to 1.6 Pakistani rupees. The government regulator has also hired an independent consultant to determine the termination rate going forward based on LRIC methodology. If the regulator fails to agree on a rate with the operators, the interconnection rate will be reduced to 1.25 Pakistani rupees effective August 2006, to be billed on a per second basis.

In connection with its obligation to provide services in the Tehsil headquarters, Telenor Pakistan is engaged in a consultation process regarding its share of the Universal Service Fund (USF), a policy initiated in 2005 with the intended purpose of disbursing the government funds for the provision of telecommunication services in underserved regions of the country. Telenor Pakistan is actively participating in the consultation process and is lobbying for its due share in the fund for facilitating rollout in 70% of the 298 Tehsils in Pakistan with a minimum of 10% of Tehsil Headquarters in each province.

Table of Contents**ProMonte GSM Montenegro**

Our 100% owned subsidiary ProMonte GSM is the leading provider of mobile telecommunication services in Montenegro. ProMonte holds a GSM 900 and GSM 1800 license. Each license is scheduled to expire in January 2017. ProMonte's GSM network had geographical coverage of approximately 75% and population coverage of 98.7% as of December 31, 2005.

Products and services

Since its commercial launch of GSM services in 1996, ProMonte has positioned itself as an innovative and quality operator within all segments, focusing its products and services on simplicity of tariff structure and user-friendliness. The company primarily offers mobile voice, roaming, value-added services and mobile data services over GPRS to its subscribers on both a prepaid and contract basis. ProMonte now provides EDGE coverage in most big cities and urban areas.

Marketing and distribution

As of December 31, 2005, ProMonte markets and distributes its mobile telephone services through independent dealers with 2,013 points of sale, including two wholly owned outlets in the capital, Podgorica. In addition, ProMonte entered into shop-in-shop agreements with six independent dealers during 2005 to market ProMonte mobile services within their shops.

Customers

The following table sets forth certain subscription data for ProMonte:

	Year ended December 31		
	2003	2004	2005
Mobile subscriptions (period end, 000s):			
<i>Contract</i>	46	44	45
<i>Prepaid</i>	207	235	265
Total	253	279	310
Mobile Telephony Penetration in Montenegro	69%	78%	88%

ProMonte's subscriber base increases significantly during summer months. This is due primarily from tourists buying prepaid subscriptions. ProMonte has managed to increase its share in the contract market during 2005. The 2005 churn rate was 37%.

Competition

As of December 31, 2005, ProMonte was Montenegro's leading provider of mobile communication services, with a market share of 58%.

In addition to ProMonte, the only other mobile operator is Monet, with a market share of 42% as of December 31, 2005. Monet is majority owned by Telecom Montenegro. Magyar Telekom, a Hungary based subsidiary of T-Mobile has acquired a 76.53% stake in Telekom Montenegro.

The Agency for Telecommunications has publicly stated that tender for a third mobile communication license will be issued in May 2006, at the latest. The introduction of MVNOs is also under review.

VimpelCom Russia and other CIS countries

VimpelCom is the main associated company of Telenor and, according to AC&M Consulting data, is the second largest mobile operator in Russia, with an overall market share of 34.3% as of December 31, 2005. VimpelCom's ADSs are listed on the New York Stock Exchange and registered with the SEC. In addition to Russia, VimpelCom has subsidiaries in Kazakhstan, Uzbekistan and Tajikistan. VimpelCom's ownership of Ukrainian Radio Systems (URS) in the Ukraine is currently the subject matter of litigation between Telenor

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and VimpelCom. Telenor has initiated three lawsuits in Russia against VimpelCom this transaction and is seeking to cause this transaction to be unwound.

VimpelCom operates under the Bee Line GSM brand.

We initially invested in VimpelCom in 1999. Currently, the economic and voting ownership interests in VimpelCom are as follows:

	Economic ownership	Voting ownership
Alfa Group (through Eco Telecom Limited)	24.50%	32.91%
Telenor (through Telenor East Invest AS)	29.91%	26.58%
Free float	44.10%	39.20%
Treasury stock	0.50%	0.50%
Other	0.99%	0.81%

On March 20, 2006, Telenor made a proposal for the VimpelCom to acquire 100% of Ukrainian mobile operator Kyivstar, our consolidated subsidiary in which we hold a 56.5% ownership interest, for more than USD 5 billion cash. A condition to Telenor's proposal is that Telenor and Alfa Group enter into a market-based separation mechanism. If implemented and activated, this mechanism would permit the party placing the highest value on VimpelCom to offer to purchase all of the other party's shares and obligate the other party to sell all its shares.

There has been no approval by the Board of Directors of VimpelCom's annual budget for 2006.

Mergers and acquisitions

On November 11, 2005, VimpelCom announced that it had consummated the purchase of Ukrainian Radio Systems (URS) for an aggregate cash purchase price of USD 231.3 million. Telenor disputes the validity of the alleged URS acquisition, stating that the transaction was consummated without the board authorizations required under the VimpelCom's charter and Russian law. Telenor has initiated three lawsuits in Russia against VimpelCom in relation to this transaction and is seeking to cause this transaction to be unwound.

Licensing issues

In Russia's Far East region, VimpelCom operates in four sub-regions through its subsidiaries Sakhalin Telecom (GSM 800 and 1800 licenses) and Dal Telecom International (GSM 800 and 1800 licenses). VimpelCom has several times applied for frequencies and a cellular Telecommunication license on the territories of Russia's Far East region. The Ministry of Communications and IT has rejected the applications.

Products and services

VimpelCom operates a GSM 900/1800 network, as well as several small AMPS/ D-AMPS networks, that target both the business and consumer segment. VimpelCom's Russian license portfolio covers approximately 94% of the population.

VimpelCom offers voice services and value-added services on its GSM and D-AMPS networks on both a prepaid and contract basis, with around 99% of its Russian subscribers using GSM. It also provides interconnections with other fixed and mobile networks and access to roaming. Value-added services on the GSM network include messaging services (SMS, MMS), mobile Internet services (data and fax transmission, WAP and Internet based on CSD or GPRS technology), a wide range of information and entertainment services (news and entertainment channels, ring tones, logotypes, java-games, chats, forums and quizzes), corporate services (Mobile email, mobile budget and corporate GPRS access) and traditional services (Voice Mail, Caller ID and Conference Call)

As part of its overall business strategy, VimpelCom has constructed and tested a pilot UMTS network, and intends to introduce UMTS technology in some of the larger cities if awarded a UMTS license.

Table of Contents**Customers**

The following table sets forth certain subscriber data for VimpelCom:

	Year ended December 31		
	2003	2004	2005
Mobile subscriptions (period end, 000s):(1)			
Russia	11,437	25,725	43,097
Other Countries		859	2,317
Total	11,437	26,583	45,414
Mobile Telephony Penetration in Russia	25%	51%	87%

(1) Figures are based on statistics published by Advanced Communications & Media. The number of prepaid subscribers are based on a 6 month churn period.

Competition

VimpelCom's main competitors in Russia are Mobile Telesystems (MTS), with an overall market share of 35.2%, and Megafon, with an overall market share of 18.1%.

Alfa Group acquired a 25.1% ownership interest in Megafon pursuant to consent by VimpelCom's board of directors on August 2003. Under the terms of the consent, the parties are required to explore the possibility of a business combination between VimpelCom and Megafon in the future. VimpelCom, however, is under no obligation to enter into any such combination. In addition, Alfa Group is also an indirect investor in the Russian fixed-line and Internet provider Golden Telecom, in which Telenor has a 20.3% ownership interest.

Regulatory matters**Regulatory Environment**

The Law on Communications, a new law on telecommunications for the Russian Federation, came into force on January 1, 2004. The process for adopting secondary legislation implementing the new law is still ongoing, and the exact implications of the new law for Russian telecommunications operators are still unclear. However, pursuant to the new law, telecommunication operators have been obliged since March 2005 to pay a fee representing 1.2% of the operator's revenues to a Universal Service Fund.

Legal proceedings

Our ability to influence key business or strategic decisions in VimpelCom is closely related to the fact that VimpelCom's charter requires certain decisions to be approved by 80% of the members of VimpelCom's board of directors. However, during the last two years, an individual shareholder of VimpelCom and VimpelCom's other principal shareholder, the Alfa Group (whose telecom division now does business under the name Altimo), filed lawsuits in Russian courts contesting these provisions in VimpelCom's charter. Telenor contested such lawsuits in the Russian courts, including, in one case, by appealing to the Russian Supreme Court, and all such lawsuits have now been dismissed or withdrawn. Also, in November 2005, VimpelCom's management announced that it consummated the purchase of Ukrainian Radio Systems (URS) for an aggregate purchase price of USD 231 million. Telenor believes that this transaction was completed without the proper authorizations required under VimpelCom's charter and Russian law. As a result of these developments, Telenor has commenced three lawsuits in Russia against VimpelCom, and is seeking to cause this transaction to be unwound. In November 2005, Telenor also commenced arbitration proceedings in Geneva, Switzerland against the Alfa Group with respect to certain breaches by Alfa of the VimpelCom shareholders agreement.

On January 10, 2005, VimpelCom's Kazakh subsidiary KaR-Tel received an order to pay issued by The Savings Deposit Insurance Fund, a Turkish state agency responsible for collecting state claims arising

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from bank insolvencies (the Fund), for an amount equal to approximately USD5.5 billion. The order, which was dated October 7, 2004 and delivered to KaR-Tel by the Bostandykski Regional Court of Almaty, does not provide any information regarding the nature of, or basis for, the asserted debt, other than to state that it is a debt to the Treasury and that the term for payment is May 6, 2004. On January 17, 2005, KaR-Tel delivered to the Turkish consulate in Almaty a petition to the Turkish court objecting to the propriety of the order, and a similar petition to the Ministry of Justice of the Republic of Kazakhstan for forwarding to the Ministry of Justice of the Republic of Turkey. VimpelCom management believes that the Fund's claim is without merit and that any attempted enforcement of the order to pay in relevant jurisdictions outside of Turkey is subject to procedural and substantive hurdles. However, there can be no assurance that KaR-Tel will prevail with respect to the objections filed (either on substantive or procedural grounds), that these claims or others targeting VimpelCom's ownership of KaR-Tel will not be brought by the Fund directly against VimpelCom or its other subsidiaries or that KaR-Tel and/or VimpelCom or its other subsidiaries will not be required to pay amounts owed in connection with the order or on the basis of other claims made by the Fund. The adverse resolution of this matter, and any others that may arise in connection with the order by the Fund or any other claims made by the Fund, could have a material adverse effect on VimpelCom's business, financial condition and results of operations, including an event of default under some or all of VimpelCom's outstanding indebtedness.

On December 30, 2004 VimpelCom received the tax inspectorate's final decision of the review of VimpelCom's 2001 Russian tax filing, stating that VimpelCom owes 284.9 million rubles (approximately USD 10.2 million in taxes) plus 205.0 million rubles (approximately USD 7.4 million) in fines and penalties, which is an 88.9% reduction from the tax inspectorate's initial claim in November 2004. A significant portion of the tax claim exclusive of fines and penalties (252.2 million rubles or approximately USD 9.1 million) is the result of the authorities claiming that, in their opinion, value added tax offsets were made incorrectly. Although VimpelCom has filed an administrative complaint to the highest tax authority challenging the tax inspectorate's final decision, VimpelCom has paid the value added taxes for 2001 and made offsets of these amounts in later tax years.

On February 18, 2005 VimpelCom received a final decision of the tax inspectorate's review of VimpelCom's 2002 Russian tax filing, stating that VimpelCom owes an additional 344.9 million rubles (approximately USD 12.4 million) in taxes plus 129.1 million rubles or (approximately USD 4.7 million) in fines and penalties. The final decision reflects a reduction from the amount of 408.5 million rubles (approximately USD 14.7 million) in taxes plus 172.1 million rubles (approximately USD 6.2 million) in fines and penalties, set forth in the preliminary act of the tax inspectorate for 2002. A significant portion of the tax claim exclusive of fines and penalties (251.3 million rubles or approximately USD 9.1 million) is the result of the authorities claiming that, in their opinion, value added tax offsets were made incorrectly. Although VimpelCom filed a court claim to dispute the tax inspectorate's final decision, the Company has paid this amount.

In December 2004, individual purchasers of VimpelCom securities filed separate lawsuits in the United States District Court for the Southern District of New York against VimpelCom and VimpelCom's Chief Executive Officer and Chief Financial Officer. Plaintiffs allege violations under Sections 10(b) and 20(a) of the Exchange Act and Rule 10b on behalf of themselves and persons or entities who purchased VimpelCom's securities between March 25, 2004 and December 7, 2004. The principal allegations in these complaints relate VimpelCom's 2001 tax filing, described in a VimpelCom December 8, 2004 press release. On July 11, 2005, the lead plaintiff and two individual purchasers of VimpelCom securities filed an amended complaint. The claims in the amended complaint allege in principal that VimpelCom failed to disclose prior to December 8, 2004 that (i) in August 2004 the Russian tax authorities began an inspection of the company's tax filings for 2001 and other years, and (ii) following the inspection, the Russian tax authorities alleged that value added tax offsets were made incorrectly by the company. On August 25, 2005, the defendants submitted a motion to dismiss the plaintiff's claims. On March 15, 2006, the court dismissed the plaintiff's claim with prejudice. The decision is subject to appeal.

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TELENOR FIXED

We are the leading provider of fixed network telecommunications services in Norway, with a strong position in the growing broadband market throughout the Nordic region. In Norway, we provide telecommunication solutions on a retail basis to both the residential and business markets. Solutions offered to the market include:

analog (PSTN), digital fixed line telephony services (ISDN) and broadband voice services over Internet Protocol (VoIP);

internet access via PSTN/ ISDN and digital subscriber lines (xDSL);

value-added services; and

leased lines.

We also provide telecom solutions to the Norwegian wholesale market, including interconnection to our networks and domestic and international transit and capacity services.

With the acquisition of Bredbandsbolaget and Cybercity in July 2005 for SEK 6.0 billion (NOK 4.5 billion) and DKK 1.4 billion (NOK 1.3 billion), respectively, we have taken a strong position in the growing broadband markets in Sweden and Denmark. Bredbandsbolaget is the second largest provider of broadband services in Sweden, offering a full triple-play of high-speed internet, VoIP and Internet Protocol (IP) television services on an all-IP fiber and xDSL network. Cybercity is the third largest supplier of broadband services in Denmark, providing xDSL-based internet access and voice services to both residential and business customers.

On February 8, 2006, we increased our shareholding in the Swedish residential voice and broadband provider Glocalnet AB by 13.5% for a consideration of SEK 136 million (NOK 118 million) to secure a 50.1% ownership interest. The acquisition triggered a mandatory offer for all outstanding shares in Glocalnet AB. This offer is valid until April 21, 2006. As of March 28, 2006, we hold a 96.6% ownership interest in Glocalnet.

In the fourth quarter of 2005, we disposed of our operations in the Czech Republic and Slovakia with a loss of NOK 63 million.

In addition, we also provide both basic and value-added fixed network telecommunication services and managed services to the business market, as well as certain wholesale services, in Sweden. We also hold a 20.3% ownership interest in the listed Russian telecom operator Golden Telecom.

Overview and Background

Fixed Norway

Residential market. We provide voice services on a traditional public switched telephone network (PSTN), an integrated services digital network (ISDN) and via broadband Voice over Internet Protocol (VoIP). We also provide narrowband (PSTN/ ISDN) and broadband (xDSL) Internet access and services to homes across Norway. At December 31, 2005, we had approximately 922,000 PSTN subscriptions, 286,000 ISDN basic rate access subscriptions and 24,000 VoIP subscriptions for telephony services. We also had 579,000 Internet access subscriptions in the residential market, comprising 165,000 narrowband (ISDN/ PSTN) subscriptions and 414,000 broadband (xDSL) subscriptions.

Business market. We provide our business customers, which include a number of public sector entities, with PSTN, ISDN and VoIP telephony services, Internet access via xDSL and leased lines services. At December 31, 2005, we had approximately 167,000 PSTN subscriptions, 216,000 basic rate, 7,000 primary rate ISDN subscriptions and 1,600 VoIP subscriptions for telephony services. We also had 61,000 subscriptions for Internet access via xDSL in this market. In addition, we provide integrated voice and data telecommunications, access and network services to the business market in Norway.

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Wholesale market. We provide a range of interconnection and capacity services, including leased lines, in the Norwegian market. Our interconnection and capacity services allow other network operators, Internet service providers and other service providers to connect to our network or use our infrastructure in order to facilitate their own service offerings. We also provide international operators with transit and capacity services for international voice and data traffic into or through Norway. We provide unbundled telephony access (PSTN and ISDN) and xDSL access, to other operators and service providers. Further, we provide local loop unbundling (LLUB) and shared access to the local loop, which enables other operators able to provide end users with broadband.

Fixed Sweden

We provide telephony, IP-based and data communication services and advanced network services to the business and wholesale market in Sweden through our wholly-owned Swedish subsidiary Utfors AB. From July 2005, we provide high-speed internet, VoIP, IP-TV and add-on broadband services to the Swedish residential market through our wholly-owned subsidiary Bredbandsbolaget. Bredbandsbolaget has approximately 369,000 subscriptions as of December 31, 2005, representing a 20 percent market share.

Fixed Denmark

From July 2005, we provide broadband solutions and network-based products such as security and VPN products for residential and business customers through our wholly-owned subsidiary Cybercity. Cybercity serves small, medium and large business customers as well as residential customers. As of December 31, 2005, Cybercity has approximately 122,000 xDSL customers.

Fixed Norway**Residential Market**

We are the leading provider of fixed-line telecommunication services to the residential market in Norway. As of December 31, 2005, we had approximately 1,232,000 subscriptions for telephony services, comprising 922,000 PSTN subscriptions, 286,000 ISDN basic rate access subscriptions and 24,000 VoIP subscriptions. We also had 579,000 Internet access subscriptions, comprising 165,000 narrowband subscriptions and 414,000 xDSL subscriptions.

Services

The core services offered to the residential market in Norway are voice services and Internet access. We currently offer each of these services on analog, ISDN and xDSL.

Analog (PSTN). We offer basic voice, facsimile and dial-up Internet access services on our analog network via copper wire connecting our customers' premises to our fixed network. Each analog access line provides a single telecommunications channel and is still the main access line for the residential market. Under the universal service obligation in our fixed telephony license, we are required to make analog services accessible at an affordable price to all households and enterprises in Norway.

ISDN. We also offer basic voice and dial-up Internet services via ISDN access. ISDN allows a single copper wire access line to be used for a number of purposes simultaneously, including voice and data transmission. ISDN also provides a higher quality connection with faster transmission of signals and increases bandwidth capacity. ISDN basic rate access provides two digital channels. Customers install their own ISDN lines on a plug & play basis or by ordering installation. In October, we launched a lower priced, single line ISDN subscription aimed at customers that have less demand for ISDN because they acquired an xDSL subscription for Internet use and would thus only use ISDN access for basic voice services

xDSL. xDSL provides broadband capacity, which means that data can be transmitted at much greater speeds than analog or ISDN lines over the existing installed copper line without interfering with the normal voice telephone connection. As at December 31, 2005, 89% of our local access lines were able to accommodate an xDSL line and 34% of our subscriptions were xDSL subscribers.

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VoIP. We launched VoIP in March 2005 in the residential market. This technology, which initially only will be offered to our xDSL customers, allows customers to send voice signals via a broadband connection rather than via traditional telephony networks.

Value-added services. We offer a broad range of value-added services on a subscription or usage basis. Our subscription-based services, for which we charge a monthly fee, include caller identification, call waiting, voice mail and remote call diversion. Our usage-based services, for which we charge a per-minute fee, include a call back when occupied service, three-party conference calling and an international calling card service. From September 2004, customers have been able to choose three value added services at no cost.

Fees and tariffs

In 2005, connection fees and call tariffs were kept at a level that we regard as competitive compared to traditional competitors with PSTN/ ISDN. We have a strong belief in variation in tariff plans as a competitive strategy and, as a consequence, offer a variety of tariff plans, each with different subscription and traffic fees. As of December 31, 2005, we offered various discounts in connection with our *Familie & Venner* (Family and Friends) programs.

The PSTN/ ISDN price structure consists of subscription fees and minutes-based traffic charges. Customers may choose between tariff plans with different subscription and traffic fees. Our VoIP service has at similar price structure as PSTN/ ISDN, but with a lower subscription fee and free traffic between other Telenor VoIP customers. xDSL has a fixed rate regime with no limitation on volume. Price segmentation for xDSL is based primarily on bandwidth. An additional fee is charged for unbundled xDSL subscribers (e.g. subscribers who do not have PSTN/ ISDN subscriptions for voice services).

Subscriptions

The following table shows selected subscriber data for telephony services on our analog (PSTN) and digital (ISDN) access lines and Internet access on our PSTN/ ISDN lines and xDSL.

	As of December 31,		
	2003	2004	2005
	(in thousands)		
Telephony			
Analog (PSTN)	1,096	1,001	922
Digital (ISDN)(1)	454	371	286
VoIP (Broadband)			24
Total telephony subscriptions	1,550	1,372	1,232
Internet Access			
PSTN/ ISDN access (dial-up)	294	241	165
xDSL access	163	286	414
Total subscriptions	457	527	579

(1) Each digital (ISDN) subscription in the residential market provides two access channels.

The decrease in the number of PSTN/ ISDN subscriptions from 2003 to 2004 (for both telephony and Internet access services) was due to increased competition, including competition from operators to whom we sell access lines on a wholesale basis, and a decrease in the number of subscriptions in the market as a whole. We have attempted to reverse this trend with more cost competitive call plans and improved customer service. The decrease from 2004 to

2005 was mainly due to migration to VoIP subscriptions on competing networks. The decrease in PSTN/ ISDN Internet subscriptions was offset by an increase in xDSL lines due to the migration from PSTN/ ISDN to xDSL.

Table of Contents*Traffic*

The following table shows information on minutes of traffic generated by residential analog and ISDN subscribers. The decrease in voice minutes are partly due to a decrease in number of subscriptions and fewer minutes per user due to the migration to mobile, SMS and internet use, together with loss of high volume customers to VoIP. The migration to xDSL decreases the number of Internet traffic minutes as the use of xDSL is measured in capacity rather than minutes.

	Year ended December 31,			Increase (decrease)	
	2003	2004	2005	2003/2004	2004/2005
	(millions of minutes)				
				%	%
Traffic:					
National traffic (exclusive internet traffic and calls to mobile phones)	5,202	4,654	3,963	(10.5)	(14.8)
Internet traffic	3,323	2,605	1,533	(21.6)	(41.2)
Calls to mobile phones	847	810	781	(4.4)	(3.6)
International	207	193	167	(6.8)	(13.5)
Other	520	529	424	1.7	(19.8)
Total	10,099	8,791	6,868	(13.0)	(21.9)
Market share (based on minutes)					
Total residential(1)	67%	68%	65%		

(1) Average during the year

Competition

In the residential market, our main competitor in the area of fixed telephony and dial-up Internet access is Tele2, which offers services based on carrier pre-selection. Dial-up Internet access is also provided by several smaller Internet service providers, including Sense and Powertech. Our market share in fixed telephony and dial-up Internet has decreased in 2005 compared to 2004. Competition in fixed telephony has increased as a result of unbundled telephony access on a wholesale basis, which we introduced in 2003, and the emergence of VoIP telephony services. Migration from dial-up to broadband access solutions impacts competition in all segments by introducing new market players and products, such as VoIP.

Several new competitors now offer low priced voice services based on VoIP. The growth in the number of VoIP competitors, together with increased media focus on how consumers can save money using VoIP, has led to significant growth in VoIP subscriptions in 2005. This development represents a competitive threat to us in the fixed telephony market. An estimated 160,000, or 10%, of all home telephony customers in Norway now have VoIP service.

xDSL providers dominate the residential broadband access market. We are currently the major xDSL provider, but significant competition is offered by the local loop unbundling (LLUB) operators NextGenTel, Catch/ Bluecom and other locally based operators, as well as from other xDSL providers, such as Tele2, who purchase access to our xDSL network on a wholesale basis. In 2005, we also faced increased competition in the broadband market from local providers owned by municipalities and utility companies.

Business Market

We are the leading provider of telecommunications services to the business market in Norway. Our objective is to provide our business customers with innovative communications services. Similar to our objectives in the residential

market, we are seeking to develop and manage long-term customer relationships with our business customers.

Table of Contents*Services*

Basic network services. The principal services offered to our business customers are basic network services (voice) via analog and ISDN access lines. ISDN access lines include both basic rate access lines and primary rate access lines, the latter being more advanced lines that provide 12 to 30 access channels. As of December 31, 2005, we had approximately 390,000 telephone subscriptions in the business market, of which approximately 57% were ISDN subscriptions. We offer three levels of business discounts from the basic traffic charges, each of which are based on the volume of traffic.

Leased Lines. We also provide analog and digital leased lines to businesses. Under the universal service obligation in our fixed telephony license, we are obligated to offer leased lines with a capacity of 64 Kbps and 2 Mbps on equal terms to all market participants. Demand for capacity has generally increased as customers are migrating from analog lines to digital lines and to higher capacity lines. The number of digital leased lines, however, has decreased as customers migrate to xDSL.

Internet access. We offer our business customers a range of solutions for Internet access, from basic connection for single users to comprehensive solutions for large companies with many users. Companies using multiple users can choose among leased lines, ISDN, xDSL, or other technologies to connect their local network to the Internet. Also included in the portfolio are new secure services for Wireless Local Area Networks (Wireless LAN). Our xDSL offerings are mainly positioned towards the small and medium enterprise (SME) segment and our current offerings range from 640 to 8,048 Kbps connections. The deployment of xDSL is one of our priorities in the SME segment.

VPN. We offer Virtual Private Network (VPN) solutions through which our customers may link their company's sites and networks together and provide support to their remote users. Based on a combination of authentication, encryption and protection of data, our VPN solutions are designed to ensure the secure transfer of data and help reduce costs for our customers' communication infrastructure.

Nordicom. NordiCom is a Scandinavian ATM-based broadband network.

Value-added telephony services. In addition to advanced routing and service access, we also offer our business customers basic voice communication services, including customer contact services such as virtual call center solutions, traffic routing and toll-free numbers and interactive services such as interactive voice response, short messaging and web services.

Messaging. We provide domestic and international messaging services based on a wide range of integrated and user-friendly e-mail communications packages. These services include our IMAP-based mailboxes for the professional market, which facilitate users' access to e-mail, faxes, cellular phones and pagers, as well as services which enable users to receive and send e-mail messages from both central and remote locations.

Managed Voice Services. Managed voice services consist of operating and/or maintaining a business customer's telephony system. Our services are divided into three levels, each involving a different level of service.

Table of Contents*Subscriptions*

The following table shows information regarding subscriptions in the business market for telephony services on our analog (PSTN) and digital (ISDN) access lines and channels (including courtesy lines, service lines and payphones) and on our VoIP service and for Internet access via xDSL as of December 31, 2003, 2004 and 2005.

	As of December 31,		
	2003	2004	2005
	(in thousands)		
Telephony			
Analog (PSTN)	212	181	167
Digital (ISDN)(1)	278	247	223
Of which basic rate(1)	270	239	216
Of which primarily rate(1)	8	8	7
VoIP (Broadband)			2
Total telephony subscriptions	490	428	390
Internet Access			
xDSL access	14	40	61
Total subscriptions	14	40	61

(1) A basic rate digital (ISDN) subscription provides two access channels and a primary rate digital (ISDN) subscription provides 12 to 30 access channels.

The decline in the number of subscribers for voice services is due both to lower market share and a decline in fixed subscriptions for voice services in the market as a whole.

Traffic

The following table shows information on minutes of traffic generated by analog and ISDN subscribers in the business market for each year in the three-year period ended December 31, 2005. The migration of voice traffic from fixed to mobile and from analog or ISDN to VoIP, along with decreasing market shares, led to the continued decrease in traffic minutes in 2005.

	Year ended December 31,			Increase (decrease)	
	2003	2004	2005	2003/2004	2004/2005
	(millions of minutes)			%	%
Traffic:					
National traffic (exclusive internet traffic and calls to mobile phones)	3,001	2,353	1,797	(21.6)	(23.6)
Internet traffic	1,296	972	548	(25.0)	(43.6)
Calls to mobile phones	595	552	551	(7.2)	(0.2)
International	133	115	110	(13.5)	(4.3)
Other	261	243	196	(6.9)	(19.3)

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Total	5,286	4,235	3,202	(19.9)	(24.4)
Market share (based on minutes)					
Total residential(1)	74%	72%	68%		

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(1) Average during the year

Distribution and marketing

We distribute our products and services to the business segment through a variety of channels. These include our key account managers and our direct sales force for our larger business customers. Our internal direct sales force is dedicated to our large corporate customer segment. In addition to our sales force, we use a number of independent agents for distributing our services to small and medium size enterprises. We have also implemented a strategic program to improve our customer relationship management capabilities in this market segment.

Competition

The competition in the business market is most significant in the central industrial regions of Norway, where TDC Song, BKK, Ventelo have each invested in their own network infrastructures and challenged us with competitive offerings of fixed line access, leased lines, broadband and data communication services. In the leased line and data communication markets, we are being challenged by the local loop unbundling (LLUB) operators NextGenTel and Catch (a subsidiary of Ventelo), who offer VPN solutions connecting business locations and home offices through xDSL access lines. In 2005, we faced increased competition in the broadband market from focused local providers and utility companies.

Wholesale Market

Domestic wholesale

Interconnection services. In Norway, we provide interconnection services consisting of call termination, call transit and call origination, on both a carrier select and carrier pre-select basis. We are required to price our interconnection services on a cost-related basis. Our objective is to develop services to maintain our position as a leading supplier of interconnection services in the wholesale market. We offer interconnection services in 12 regional areas in Norway.

Local loop unbundling. As required by regulation, we deliver LLUB to other telecom suppliers. Local loop access provides operators with access to our copper access network. In addition to full access to the local loop, we also offer shared access to the local loop. Through full and shared access, operators are able to provide end users with broadband.

xDSL. We have launched xDSL in the wholesale market. xDSL access allows Internet service providers and other service providers to provide xDSL-based products and offerings without having to install any technical devices in connection with the copper pairs.

Intelligent network services. We also provide access to intelligent network services on a wholesale basis. Intelligent network services allow service providers to offer value-added services hosted on our network and sophisticated routing of calls depending on factors such as the time of the call and the point of origination.

Wholesale line rental. We provide telephony access (PSTN and ISDN) on a wholesale basis to other operators and service providers, which allow them to sell subscriptions for telephony services directly to the end customer.

Table of Contents*Access*

The following table shows information regarding the number of analog (PSTN) and digital (ISDN) access lines and channels, including courtesy lines, service lines and payphones, and xDSL and LLUB subscriptions in the wholesale market as of December 31, 2003, 2004 and 2005.

	As of December 31,		
	2003	2004	2005
	(in thousands)		
Telephony			
Analog (PSTN)	104	188	202
Digital (ISDN)(1)	57	114	111
Of which basic rate(1)	57	113	110
Of which primarily rate(1)		1	1
Total telephony subscriptions	161	302	313
xDSL access	56	91	109
LLUB access	80	145	235

(1) A basic rate digital (ISDN) subscription provides two access channels and a primary rate digital (ISDN) subscription provides 12 to 30 access channels.

Competition

Our main competitor in the domestic wholesale market is BaneTele, the only other provider of wholesale services with national coverage. In addition, TDC's recent acquisition of Song Networks makes the combined TDC Norway/Song Networks a significant alternative provider of wholesale capacity services in southern Norway. In the wholesale market for DSL, we face competition from NextGenTel, Catch, and TDC/Song Networks, which provides xDSL to end users on the basis of LLUB.

In addition, we face competition from a number of focused local or niche providers specializing in smaller segments of both the residential and business markets, including local broadband initiatives supported or owned by municipalities and local utility companies. In the residential market, we also face competition from cable networks.

International wholesale

Through Telenor Global Services (TGS), we provide a broad range of services in the international wholesale market, including broadband capacity and worldwide traffic. Our objective is to be the leading supplier of voice and capacity services to and from Scandinavia, and to be a successful niche player in the wholesale traffic market in Europe.

International direct dialing. We offer inbound call termination for international traffic terminating in our network for which we receive payments from other carriers under a system of settlement arrangements, and purchase termination services from foreign carriers for outbound international traffic originating in our networks.

Roaming. Telenor Global Services offers complete international roaming solutions which integrate IP connectivity with traditional voice services. Our roaming GSM service is global, with more than 220 international roaming partners connected through a single access line. The GPRS Roaming Exchange (GRX) connects mobile networks via a high-security and cost-efficient IP network. We are a registered GRX provider in the GSM Association.

Leased capacity services. We offer leased capacity services, which provide fixed and dedicated connections. Leased lines are available in both analog and digital interfaces and with different capacities. We deliver these services within Scandinavia through our own telecoms network and deliver dedicated point-to-

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point connections between Scandinavia and most other countries in the world in cooperation with reputable operators. These services are well suited to users that generate a higher volume of traffic between fixed locations, for instance, connections between different local area networks (LANs) or private branch exchanges (PBXs). Leased lines are also a basic element in the production of other services, such as mobile phone and point of sale terminals.

Network Operations***Domestic infrastructure***

Our domestic network is a technologically advanced fixed line network designed to support our residential, business and wholesale service offerings and we also use the network to provide services to our other business areas.

Trunk transmission network. We have a national ring topology backbone network using synchronous digital hierarchy (SDH) equipment on fiber optic cables. SDH provides faster and less expensive network interconnection than traditional pliesochronous digital hierarchy (PDH) technology. PDH is the conventional multiplexing technology for network transmission systems. For the regional backbone network, we have a similar structure based on SDH technology.

Our entire national backbone network is based on optical dense wavelength division multiplexing. Dense wavelength division multiplexing is a transmission technology in which up to 200 optical channels are transmitted through the same fiber. We use systems based on this technology with 8, 16 and 32 optical channels at 2.5 Gbps or 10 Gbps (billion bits per second, which vastly exceeds the capacity of traditional copper cable or radio links). The national core network is designed to be the carrier for any transmission technology used on a higher layer. This may include synchronous digital hierarchy, asynchronous transfer mode (ATM) or IP technology.

Our regional network layer comprises more than 300 installed connection or switching points in 185 rings distributed on 71 ring structures. The implementation of ring topology in the regional network has improved the quality of service of the network.

Access network. Our local access network connects virtually all homes and businesses in Norway with nearly 4,000 digital telephony switches and concentrators. The network currently includes approximately 5.8 million kilometers of installed twisted pair copper wire. At December 31, 2005, the access network connected approximately 1,291,000 analog telephone lines, 612,000 ISDN basic rate and 8,000 ISDN primary rate access lines, 48,000 leased lines, 235,000 LLUB lines and 584,000 xDSL lines.

In larger cities in Norway, we also provide optical fiber connections directly to larger businesses, universities and municipal locations. In total, we provide optical fiber connections to more than 2,300 locations.

International infrastructure

International wholesale network. We offer an international wholesale network in the Nordic region between Oslo, Stockholm and Copenhagen. Our network capacity is one wavelength and is upgradeable.

Our international switch in Oslo is connected to seven points of presence (PoPs), in Amsterdam, New York, London, Stockholm, Copenhagen, Paris and Frankfurt. These PoPs represent points of international interconnection with our customers and suppliers.

Transatlantic submarine cable. We hold a 3.5% interest in the TAT-14 transatlantic submarine cable. The TAT-14 cable provides connection between five cable stations in Europe and two in North America. Service was launched on July 3, 2001, enabling us to provide capacity, including backhaul, between New York and major cities in Europe.

In 2005, the submarine cable capacity market decreased as products and services migrate to more cost effective and wholly owned platforms.

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Global Capacity Services. We provide global capacity services through wholly owned synchronous digital hierarchy (SDH) capacity to major destinations in Europe and the United States, International Private Leased Circuits (IPLC) services to worldwide destinations and IP Transit services in Western Europe and the United States. Based on a network of points of presence in major European and US cities, we provide SDH capacity services to carriers, operators and Internet services providers. Backed by service level agreements with leading providers, we offer a wide range of leased line services worldwide. Through IP Transit, we offer internet access ports to Internet service providers. Our own network, Nextbone, connects customers and interconnect partners at the most important Internet exchange sites in Western Europe and the United States. As of December 31, 2005, we have connections to more than 300 customers and interconnect partners, with both private and public interconnect.

Fixed Sweden

Fixed Sweden provides telephony, data communication, broadband and advanced network services to the business market, and telephony, DSL and IP-based communication services to the wholesale market in Sweden. We believe that the Swedish business market, in particular, provides growth opportunities due to the size and the growth rate of the market, our first class national data communications network and the preference of Swedish business customers towards single vendor relationships and outsourcing. We are currently Sweden's second largest provider of business data communication services, as well as the second largest wholesale provider of fixed network services, after TeliaSonera.

We also provide voice and DSL services on a wholesale basis in Sweden to service providers, which market these products to the residential retail market. Glocalnet, which is the third largest service provider within the fixed residential segment, is by far the largest of our wholesale customers. At December 31, 2005, Glocalnet has 133,000 fixed telephony subscriptions, 5,000 mobile telephony subscriptions, 108,000 dial-up Internet subscriptions and 104,000 xDSL subscriptions. As of March 28, 2006, we hold a 96.6% ownership interest in Glocalnet.

On July 8, 2005, we acquired 100% of the issued share capital of Bredbandsbolaget AB and its subsidiaries (Bredbandsbolaget) for a cash consideration of NOK 4.5 billion. Bredbandsbolaget is the second largest provider of broadband services in Sweden with approximately 369,000 subscribers as of December 31, 2005, representing a 20% market share. Operating on all-IP fiber and xDSL network, Bredbandsbolaget is synonymous with high-speed broadband. The company launched VoIP service in 2003 and serves approximately 104,000 voice customers as of December 31, 2005. Bredbandsbolaget also recently launched IP-TV services, thus offering a full triple-play of Internet, voice and TV broadband services. Bredbandsbolaget also has a successful operation serving small and medium-sized Swedish companies with Internet access services.

During 2005, price competition has increased significantly in the Swedish broadband market, with Glocalnet, Comhem and TDC Song representing the most price aggressive players. Bredbandsbolaget is differentiating itself in this market through product advancement and high quality service. The following table shows information regarding the number of subscriptions for Bredbandsbolaget's broadband-related products and services over the last 2 years.

	As of December 31,	
	2004	2005
	(in thousands)	
VoIP (Broadband)	67	104
Internet Access		
LAN access(1)	139	155
xDSL access	164	214
TV subscriptions	1	12

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(1) LAN stands for Local Area Network

Figures for 2004 in the above table reflect figures from Bredbandsbolaget prior to our acquisition of the company in 2005.

Fixed Denmark

On 5 July, we acquired 100% of the issued share capital of Esplanaden Holding A/S (Cybercity) for a cash consideration of NOK 1.3 billion. Cybercity is the third largest supplier of broadband services in Denmark, with approximately 122,000 subscribers as of December 31, 2005 and a 15% market share. Covering 70% of Denmark with its own DSL infrastructure, the company focuses on the high-end residential, home office and small and medium enterprise (SME) segments of the market. The company also operates a successful VoIP product over its DSL access lines.

TDC is Cybercity's main competitor, along with Tele2 and Telia Stofa also acting as important competitors.

The table below provides information regarding the number of subscriptions for Cybercity's DSL and VoIP services over the last three years.

	As of December 31,	
	2004	2005
	(in thousands)	
VoIP (Broadband)	2	26
xDSL access	77	122

The figures for 2004 above reflect subscription data for Cybercity prior to our acquisition of the company in 2005.

TELENOR BROADCAST**Overview**

We are the leading provider of television and broadcasting services to consumers and enterprises in the Nordic region, measured in subscribers and revenues. We also operate the national terrestrial broadcast network in Norway and are the leading provider of satellite broadcasting services in the Nordic region, utilizing three geostationary satellites. Our main objective is to further strengthen our position in the Nordic region.

In 2005, the Telenor Broadcast business area comprised the following business lines:

Distribution. We provide TV distribution services to more than 3 million households and businesses in the Nordic region. We offer basic tier, minipay and premium pay-TV services to subscribers with Direct To Home (DTH) satellite dishes. In Norway and Sweden, we offer basic tier TV services, pay-TV and Internet services to cable TV subscribers. In Denmark, we market the same services through a cable network, OE Kabel TV, which we acquired in November 2005. In Finland, we offer premium pay-TV services to subscribers with access to digital terrestrial television (DTT). We also offer TV services through privately owned satellite master antenna TV networks (SMATV), which serve multiple dwellings such as housing associations and antenna unions.

Transmission. We provide transmission services for broadcasters through our subsidiaries Telenor Satellite Broadcasting and Norkring. Telenor Satellite Broadcasting owns and operates satellite transmission capacity on the satellite position 1-degree west. Norkring owns and operates the Norwegian analog and digital terrestrial radio transmission system and the Norwegian analog television transmission system.

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Other. Other consists of Conax, which offers conditional access systems, the corporate support functions of Broadcast, and related interests.

Distribution

Our wholly-owned subsidiary Canal Digital is the leading TV content distributor in the Nordic region, distributing a wide range of national and international TV channels to households that rely on DTH, cable, DTT or SMATV for their reception of television services.

Canal Digital has exclusive Nordic distribution rights on DTH to CMore's premium film and sport channels until June 13, 2006, in addition to exclusive content rights on other channels. Furthermore, in June 2005, Telenor Broadcast, together with Norwegian broadcaster TV2, acquired the rights for distribution of Norwegian football on TV, broadband Internet and 3G mobile for NOK 1 billion. The rights cover the period from 2006 through 2008 for the Norwegian premier league and the Norwegian first division, and 2006 through 2009 for Norway's international matches (home matches only) for men, women and youth, the national cups for men and women and women's national premier league. The NOK 1 billion commitment for the rights will be paid over four years, with NOK 300 million per year for the period 2006 through 2008 and NOK 100 million for 2009. The financial commitment is a joint liability owed to the Norwegian Football Association by TV2 and Telenor Broadcast. Telenor Broadcast and TV2 have agreed that the material part of the free to air TV rights will be managed by TV2, while the Pay-TV rights and certain free TV rights have been assigned to, and will be governed by, the television channel TV2 Zebra, in which Telenor Broadcast and TV2 will have an ownership interest of 45% and 55%, respectively. The broadband Internet football broadcast rights will be managed by Telenor Fixed and TV2 Interaktiv, while the 3G mobile rights will be managed by Telenor Mobile.

As of December 31, 2005, we had more than 3 million subscribers to our different television services, consisting of 906,000 pay-TV subscribers and 222,000 basic tier households on DTH, 681,000 cable TV subscribers, 33,000 DTT pay-TV subscribers and 1,177,000 households in SMATV networks.

In 2005, our distribution area generated external revenues of NOK 4.6 billion and more than 50% of our Nordic distribution revenues are from outside Norway.

The table below shows our subscriber base per country as of December 31, 2005.

	Norway	Sweden	Denmark	Finland	Total
Subscribers Broadcast					
DTH pay-TV subscribers	341,000	361,000	151,000	53,000	906,000
DTH basic tier households	135,000	48,000	36,000	3,000	222,000
Cable TV subscribers	409,000	242,000	30,000		681,000
SMATV households	196,000	271,000	634,000	76,000	1,177,000
DTT pay-TV subscribers				33,000	33,000
Total	1,081,000	922,000	851,000	165,000	3,019,000

DTH

To our DTH subscribers, we offer more than 70 Nordic and international TV channels, multiple tiers of services, including interactive services and pay-per-view services. We distribute minipay and Premium pay-TV services to more than 906,000 digital subscribers and basic tier services to an additional 222,000 households in the Nordic region. Both basic tier households, minipay and premium pay-TV subscribers receive local television channels through the DTH equipment provided to them. The minipay and premium pay-TV subscribers subscribe to at least one pay-TV package from Canal Digital in addition to the basic tier.

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The following table shows key subscriber data for our DTH operations over the past three years:

	Year ended December 31,		
	2003	2004	2005
Subscribers at period end			
DTH pay-TV subscribers	763,000	824,000	906,000
DTH basic tier households	241,000	253,000	222,000
Total subscribers	1,004,000	1,077,000	1,128,000

We believe that the growth in the number of subscribers over the past few years is primarily due to the success of our high-quality program packages that combine major international content brands and the most important local language television channels combined with aggressive marketing, multi-channel distribution and a focus on customer service.

Cable TV

We operate cable-TV networks that served 681,000 subscribers as of December 31, 2005, of which 409,000 subscribers were located in Norway, 242,000 in Sweden and 30,000 in Denmark.

In Norway, we market an analog basic tier package comprising 17-24 channels to individual households, landlords and housing associations. In addition, we sell digital pay-TV packages to subscribers with a decoder and cable TV Internet access subscriptions to households connected to the upgraded part of our network. We market our cable television services through our own sales organization, which includes regional offices and sales representatives throughout Norway.

In Sweden, we market the same services as in Norway, but with differences in programming to meet Swedish market demands. In Denmark, we operate a cable TV network and offer Internet services to our cable TV subscribers as well.

The following table sets forth details of our cable operations for the years indicated.

	Year ended December 31,		
	2003	2004	2005
Subscribers at period end			
Basic tier	604,000	624,000	681,000
Of which digital pay-TV	35,000	51,000	58,000
Cable TV Internet subscribers	31,000	44,000	73,000

Within cable TV, the growth in basic subscribers is fairly low due to the fact that cable TV has already been fully rolled out in the areas where cable TV development is financially viable. Further growth in this segment is primarily due to new building developments and acquisition of other cable operators. Therefore, the underlying revenue growth in the cable TV segment is partly driven by sale of additional services such as digital pay-TV and/or Internet subscriptions to our basic subscribers.

SMATV

In the Nordic region, we are the leading reseller of analog and digital television channels and television services to privately owned SMATV networks, serving multiple dwelling units such as housing associations and antenna unions. We also provide technical services relating to SMATV networks and market pay-TV services to individual households

in these networks.

The following table sets forth operating information for our SMATV operations.

	Year ended December 31,		
	2003	2004	2005
SMATV households	1,098,000	1,212,000	1,177,000

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We expect that the number of households using SMATV technology will decrease in the next five to ten years. This due to the fact that many small SMATV networks may choose to move from SMATV to DTT, enabling their users to access a full host of digital TV services without upgrading the network. Furthermore, over the last three to five years, SMATV networks are increasingly being acquired by cable operators. Due to the imminent decommissioning of the analogue terrestrial networks (which partly feeds the SMATV networks), this development is likely to accelerate in the future.

DTT

In the first half of 2004, we started a digital terrestrial pay-TV operation in Finland, marketing pay-TV packages to households with DTT reception equipment. As of December 31, 2005, we had approximately 33,000 subscribers to this service. We are currently the only DTT pay-TV operator in Finland. Presently, we offer a package of three channels, in addition to several free to air channels. The number of digital TV-channels available in Finland is not expected to grow until new multiplexes offering more transmission capacity are developed.

In August 2005, we entered into a partnership agreement with the Norwegian broadcasters NRK and TV2 to apply for a license to develop and operate the digital terrestrial (DTT) network in Norway. The license application was submitted by Norges Televisjon AS (NTV), in which we have an equal ownership share along with NRK and TV2. The DTT network would eventually replace the current analog terrestrial network owned by our subsidiary Norkring, which currently secures households TV reception via regular antennas. The parties have also established a new company, NTV Pluss AS, which if license is awarded, will offer pay-TV services over the DTT network.

Competition

With regard to DTH, we compete throughout the Nordic region, with Viasat, a subsidiary of the Swedish media company Modern Times Group (MTG). Providers of digital terrestrial television (DTT) are a new type of competitor in the digital TV services market, with Boxer in Sweden emerging as the most important competitor.

Boxer follows a low-price strategy in the Swedish market and competes in the low pay range of the market. We compete in the Nordic market for digital TV services primarily on the basis of quality and quantity of content, and the quality of customer service and operations.

Within cable television, our primary competitor in Norway is UPC Norway. In Sweden, our primary competitors are Comhem, UPC Sweden and Kabelvision. In the Danish market, we face competition from TDC's subsidiary OnCable and TeliaSonera's subsidiary Stofa. We compete in the market for cable television on the basis of technical reliability and our ability to offer other access services, such as cable TV Internet access, and to tailor our content portfolio to the preferences of the majority of the households in the area.

Within the Nordic market for wholesale services to SMATV networks, our primary competitor is Viasat. In the Danish market, we face additional competition from OnCable and Stofa. We compete in the market for households in SMATV networks on the basis of price, content portfolio and value-added services, such as technical support and advice.

Canal Digital is the sole provider of premium content for households with DTT access in Finland.

In Sweden, the government began to shut down the analogue terrestrial TV network in September 2005. Between 100,000 and 200,000 households were directly affected by this shut down in 2005. The shut down is expected to be complete in January 2008. As the affected households move from analogue TV reception to digital reception via cable, DTH or DTT, all of the major operators in the Swedish market expect a surge in subscriber growth. Thus far, however, the growth in digital pay-TV subscribers caused by the analogue shut down has been weaker than expected as most households have chosen a digital free to air TV solution consisting of 5 attractive TV channels (freeview).

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In Norway, NTV, which is jointly owned by Broadcast and the Norwegian broadcasters NRK and TV2, is the only applicant for the DTT license. The roll out of the DTT network is planned to start within six months after possible license is awarded. The final shutdown of the analog terrestrial network in Norway is expected at the end of 2008 if the license is awarded in 2006 as expected. Our subsidiaries Canal Digital, Conax, Satellite Broadcasting and Norkring are all possible suppliers to the Norwegian DTT network and Norkring has developed a DTT transmission system in Norway on a test basis in limited areas.

Transmission***Telenor Satellite Broadcasting***

Through Telenor Satellite Broadcasting, we are the largest Nordic provider of commercial satellite services for the transmission of television and radio programs based on both capacity and revenue. Telenor Satellite Broadcasting also provides satellite capacity, teleport services and IP broadband services to value added resellers and business customers in Europe and the Middle East.

We provide our satellite transmission services through a fleet of three geostationary satellites: the Thor II and III satellites and the Intelsat 10-02, in which we own a share representing 11 transponder equivalents (36Mhz). Transponders are the main devices that satellites use to receive and transmit signals. Our three satellites are located in orbit approximately 36,000 kilometers above the equator at approximately 1 degree west. 1 degree west is an advantageous position for transmitting signals to the Nordic region and we estimate that over 90% of the households satellite antennas in the Nordic region can receive transmission from our satellites. We provide our teleport services through two teleports in Europe, Nittedal (Norway) and London, and uplinks in Sofia, Stockholm, Copenhagen and Helsinki. Along with Satellitaktiebolaget (NSAB), we are currently one of two satellite transmitters of digital signals to home satellite dish receivers and cable TV companies in the Nordic region. Using digital transmission, each transponder can transmit six to eight channels simultaneously, while a transponder used for analog transmission can only transmit one channel.

	Year ended December 31,		
	2003	2004	2005
Used for digital transmission	32	33	33
Used for analog transmission	6	3	3
Spare capacity	5	4	4
Total number of transponders	43	40	40

As at December 31, 2005, we transmitted 156 TV channels (three analog) and 66 radio channels.

In the third quarter of 2005, we entered into an agreement for the construction and subsequent purchase of a new satellite with 24 transponders (36mhz equivalents) to replace the satellite Thor II, which has 15 transponders (36mhz equivalents). We expect to acquire the completed satellite at the end of 2007, and total payments until this time are expected to be NOK 1.2 billion

Competition

Our principal competitor in satellite broadcasting is NSAB, but we also face competition from INTELSAT, EUTELSAT and SES Global. NSAB is owned by the Swedish Space Corporation (25%) and SES Global (75%) and operates three satellites. SES Global is based in Luxembourg and operates ASTRA, the largest satellite system for home satellite dish transmission in Europe.

Norkring

Through our wholly owned subsidiary Norkring, we own and operate analog and digital terrestrial radio and television transmission systems in Norway.

Norkring provides its analog services to two national television broadcasters, the national broadcaster NRK and the commercial channel TV2, several national radio broadcasters, and a number of local television

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and radio stations. Norkring's analog network consists of approximately 2,700 large and small transmitting stations in Norway and covers more than 99% of the Norwegian population. Norkring also provides digital audio broadcasting (DAB) and limited DTT trial transmission services. Norkring's DAB network currently covers 70% of Norwegian households and all main roads in Norway.

Norkring has developed a DTT transmission system in Norway on a test basis in limited areas and in the third quarter of 2005, Norsk Television AS (NTV), applied for a DTT license. Norkring is a possible contractor for the construction and technical operation of the DTT network in Norway.

Other***Conditional access systems***

Conditional access systems enable broadcasters and content providers to encrypt their digital services so that programming may only be viewed by authorized subscribers. We believe that conditional access systems are essential for creating good business models for content irrespective of terminal or access method. Access control via Smart Card is most widely used in the Pay-TV area. Through Conax, we provide conditional access services for a variety of network types, including broadcasting networks and Internet/intranet networks.

As of December 31, 2005, Conax had sales and support staff in India, Singapore, China, Brazil and Germany, and customers in more than 40 countries.

Related interests

We currently own 44.8% of the shares in APR Media Holding AS, which holds 100% of the shares in A-pressen, one of the three largest private media corporations in Norway. A-pressen is a majority owner of Norwegian local and regional newspapers and a number of other related interests, including printing plants, newspapers, websites and local television channels. A-pressen also has investments in Russian media and printing facilities and owns a 33.33% interest in the Norwegian commercial television channel TV2.

We also have a 33% ownership interest in Otrum ASA, which is a leading supplier of hotel TV solutions in Norway.

In addition, we acquired a 33.31% ownership interest in Norges Television AS (NTV) in the third quarter of 2005. NTV is the only applicant for a license to develop and operate a digital terrestrial network for television in Norway. In November 2005, the owners of Norges Television AS (NTV) founded the company NTV Pluss AS (NTV+) in which we have an equal ownership share along with the Norwegian broadcasters NRK and TV 2. If NTV is awarded the license for developing and operating the DTT network for television in Norway, NTV+ will offer pay-TV services over this network.

EDB BUSINESS PARTNER ASA**Overview**

Our 51.8%-owned subsidiary, EDB Business Partner ASA, is a leading information technology company providing software solutions, software services and computer operations to the Nordic region. EDB Business Partner's main customers are large and medium-sized companies and organizations in banking and finance, telecommunications, and the public and trade and industry sectors. Although its primary market is Norway, EDB Business Partner also has significant operations in Sweden. EDB Business Partner's shares are listed on the Oslo Stock Exchange.

Strategy and recent developments

EDB Business Partner's strategy is:

to be a leading expertise-based IT business, focusing on application development and infrastructure and network operations; and

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to take advantage of current IT trends, such as increased outsourcing of IT departments, the growth of Internet applications, e-commerce, Internet banking, and business critical applications.

On June 28, 2005, EDB Business Partner and i-flex® solutions entered into an agreement to jointly offer comprehensive UNIX-based retail banking solutions to financial institutions in the Nordic region. The product will utilize the core system components of FLEXCUBE®, the world's No. 1 selling banking solution. Market release is planned for 2006/2007.

On November 16, 2005, EDB Business Partner and DnB NOR further expanded their commercial and strategic partnership by signing a six-year agreement for electronic invoicing in the Norwegian corporate market for use by DnB NOR and its corporate customers. The new solution is expected to significantly reduce the cost of invoice management for companies and will be ready for use by DnB NOR and EDB Business Partner's existing customers from the second quarter of 2006. Revenues generated from the new solution will be transaction-based, and will thus depend on the number of companies using the system.

In addition to the strategic partnership agreements with i-flex® solutions and DnB NOR, EDB Business Partner has made several major acquisitions since January 2005, as described below.

On May 12, 2005, EDB Business Partner entered into an agreement to acquire the Swedish software company BanqIT Business Applications AB. The contract provides for EDB to take over the company's in-house developed solutions for bank branch offices as well as 30 employees.

On December 19, 2005, EDB Business Partner entered into an agreement to acquire the Norwegian card company TAG Systems AS. This acquisition is expected to give EDB a stronger market position and expand its expertise in the card area. The business currently has 100 employees. The acquisition will take place with effect from January 15, 2006.

On January 10, 2006, EDB Business Partner entered into an agreement to buy the operations of the Swedish IT company Datarutin AB and its subsidiary Datarutin Dokumentor AB. Datarutin is one of the market-leading players in the Swedish market for IT operations, consulting services and document management, offering solutions for customers such as the Swedish unemployment benefit offices and property companies. The business has 220 employees, and EDB plans to integrate Datarutin into its Swedish activities with effect from February 15, 2006.

On January 16, 2006, EDB Business Partner entered into agreements to take over Ementor's consultancy division, Avenir, and the IT consultancy company Spring Consulting. The agreements establish EDB Business Partner's presence in the area of application services in the Nordic market. Avenir has 241 employees whereof 201 employees are located in Oslo, while 40 employees are located in Bergen. Avenir's business focus is within the public sector, oil and energy and banking and finance. Avenir has significant expertise within Microsoft, SAP-, IBM and Oracle technology, as well as project management, system development and -integration, adjustment and implementation of standard systems. Spring Consulting has 114 employees in Norway, Sweden and Denmark, working with SAP solutions for the Scandinavian market. The operation taken over is focusing on implementation and development of SAP solutions as business support to the various customer demands.

On March 13, 2006, EDB Business Partner entered into an agreement to buy the Swedish IT consulting group Guide Konsult, which represented a further step in EDB Business Partner's program to create a broader platform for the group in the Nordic IT services market. The agreement positions EDB Business Partner as a leading supplier of IT consulting and applications services in the Swedish market. Guide is a leading supplier of IT consulting and applications services in Sweden with 520 employees, the majority working in Gothenburg and Stockholm. The group is a significant supplier for a number of major Nordic companies. The industrial focus of Guide's activities is on the car industry, pharmaceuticals, the public sector, the bank and finance industry and commerce.

During 2005, EDB Business Partner divested in two separate agreements all its assets in the Telecom business area. Assets related to EDB Telecoms Network Inventory and European Mediation businesses were transferred to Comptel Corporation. Shares owned by EDB Business Partner ASA in Telesciences Inc. in the

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United States were sold to a U.S. management-owned company. The total consideration from the sale was approximately NOK 155 million.

Business Areas and Services

EDB Business Partner has the following two business areas: IT Operations and Solutions. EDB Business Partner, IT Operations area represents one of the largest suppliers of IT operating services in the Nordic region. This business area comprises both centralized and remote operation of computer systems, data communications, including services related to data backup and publishing, and serves a wide variety of industries and sectors. The Solutions business area comprises the sale of software, systems and consultancy services to a worldwide customer base in the banking and finance, public, and trade and industry sectors. The company's primary activities are operated out of Norway and Sweden.

Competition

EDB Business Partner's main competitors in the Nordic countries are TietoEnator and WM-data.

The market in which EDB Business Partner operates is highly competitive and is characterized by the need for a high level of expertise and experience, as well as significant capital investment in new technology and products. It is of critical importance in our industry that our products are secure, reliable and competitive in terms of functionality, performance and interface. Products need to adapt for changing market requirements in the interaction with industry standard software and hardware.

SATELLITE SERVICES

Overview

Our wholly owned subsidiary, Telenor Satellite Services, is a leading worldwide provider of satellite-based mobile services. Telenor Satellite Services provides mobile communication services through its business unit Mobile Satellite Services (MSS) and provides fixed satellite-based communication networks and services through its business unit Corporate Networks (CN) and Taide.

Mobile Satellite Services

Overview

We provide our mobile satellite services by acting as a land earth station operator (LESO). LESOs provide the gateways that link communication satellites with the terrestrial telephone networks. Calls made on a mobile satellite unit (e.g. a ship, airplane or automobile) are relayed over the satellite to a designated operator's land earth station (LES) before being relayed to a telephone network. We own the Eik LES in Norway and, following the acquisition of COMSAT Mobile Communications (CMC) in 2002, the Southbury and Santa Paula LESs in the United States.

As an LESO, we offer our services primarily through the Inmarsat satellite system and, to a lesser extent, the Iridium and Intelsat satellite systems. Inmarsat operates a constellation of geostationary satellites that extend mobile phone, fax and data communications to every part of the world, except the poles. On June 22, 2005, Inmarsat was listed on the London Stock Exchange. As part of the listing, our stake in Inmarsat was diluted to 9.43%. In the first quarter of 2006, we disposed of our remaining ownership interest in Inmarsat.

Services

Through MSS, we provide a full range of services and products for satellite-based telephony and data communications to and from mobile units all over the world. These services and products are primarily available to users of mobile units at sea, on land, or in airplanes. We are one of the world's largest providers

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of mobile satellite-based communications services to maritime users, which include commercial and naval vessels and oil installations. Our in-flight customers consist primarily of airline passengers and cockpit crew.

Mobile telephony and data services

Through our wholly-owned subsidiaries Marlink and GMPCS, which operate much of MSS' retail activities, we offer a full range of analog and digital mobile telephony and data services, including voice and fax services and Internet and email access, to customers at sea, on land and in flight. In November 1999, we were the first LESO to receive certification from Inmarsat to commence commercial operation of Inmarsat's then newest satellite service Global Area Network (GAN). GAN services provide high quality voice and fax transmission, as well as data transmission, at speeds up to 64 Kbps (which is comparable to a fixed network ISDN line). In addition, in 2001, we were the first LESO to receive commercial authorization from Inmarsat to offer the Mobile Packed Data Service (MPDS) extension, which users of GAN services can use for data applications such as Internet access and email. Our overall market share of GAN services as at December 31, 2005 is approximately 35%. In addition to being the first LESO to offer GAN services and the MPDS extension, we were also the first LESO to be approved by Inmarsat for commercial operation of FLEET, Inmarsat's next generation of maritime communication services. We commercially launched FLEET in 2002.

In 2005, Inmarsat launched its next generation I4-satellites, offering its new Broadband Global Area Network (BGAN) service, which will provide voice and data transmission services to users of mobile units at speeds of up to 256 Kbps. BGAN is currently limited to land based users, but will be expanded to both maritime and aeronautical use in the next several years. We have been appointed as a distribution partner for the BGAN service, though all traffic relating to BGAN services will be handled by Inmarsat's own LESs in the Netherlands and Italy.

Leased lines

We offer heavy users of mobile satellite-based communications services dedicated leased lines for multiple mobile units. Leased capacity is available through either our Inmarsat space segment or our own total communication solution, Sealink, which is a permanent satellite leased line for data transmissions that establishes customized communications solutions between a fleet of mobile sites and one or more land-based sites. Maritime vessels are our primary market for dedicated leased lines and, at the end of 2005, we operated high capacity Sealink installations on board approximately 400 deep-ocean going vessels.

Other services

We also provide a full range of voice and data traffic accounting services, and our subsidiary Marlink has the authority to operate as the billing authority for Inmarsat LESOs in more than 70 countries. Furthermore, before a communications terminal on a mobile unit can be used in the Inmarsat system, it must first be activated for service. In our capacity as a provider of Point of Service Activation (PSA) services, we have been authorized by Inmarsat to activate terminals in the Inmarsat system in more than 100 countries worldwide.

Competition

In the Inmarsat satellite system, a customer can select to place a call through any land earth station that serves the respective area. As a result, LESOs offering services in the Inmarsat system compete mainly on the basis of pricing, value-added services, global coverage and brand name.

Our primary competitors in the LESO market are Xantic, Stratos, France Telecom, KDDI and SingTel. We handled approximately 23% of the worldwide traffic over Inmarsat in 2005 and, along with Xantic, Stratos and France Telecom, represented the world's four largest LESOs and accounted for approximately 85% of Inmarsat traffic in 2005. We also compete with a number of smaller players operating their own land earth stations.

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Strong competition in these markets has reduced margins, and we expect this pressure to continue. With the advent of new BGAN services, Inmarsat will handle all traffic relating to BGAN services from their own LESs in the Netherlands and Italy. This change may create competitive challenges for LESOs as it could lead to a tightening of their profit margins for GAN services. In the voice only market, Inmarsat itself is facing increased competition from other mobile satellite systems, such as Iridium, Globalstar and Thuraya. As a consequence, we are also facing increased competition from providers who primarily offer mobile satellite services on systems other than Inmarsat.

Corporate Networks (CN) and Taide

Through Corporate Networks (CN) and Taide, we provide fixed satellite-based communication networks and services to a wide variety of governmental, intergovernmental and commercial organizations utilizing Very Small Aperture Terminal (VSAT) technology. VSATs are 2-way satellite ground stations with a dish antenna that is smaller than 3 meters. VSAT is one of the most prevalent satellite technologies in use today for various types public and private organizations. It is most commonly used for point of sale transactions including credit cards and can also be used for transmitting and receiving sales figures and orders, receiving internal communications and providing interactive distance learning training courses for employees in various locations. Our VSAT-related services range in complexity from the provision of point-to-point data links to complex satellite networks providing access to a full suite of telecommunications services including voice, data, internet and video-conferencing services.

As a single supplier of services on a global scale, our satellite services are particularly attractive to customers with communication needs that span a number of countries. Our services are also attractive to customers operating in markets lacking competitive terrestrial infrastructure.

We operate through subsidiaries in several European countries. The main network operating centers for each of CN s and Taide s operations are located at the Nittedal earth station, just north of Oslo in Norway. The VSAT terminals and additional equipment are supplied from selected major suppliers. We have access to necessary satellite capacity from Intelsat, Inmarsat, Eutelsat and other major satellite operators.

OPPLYSNINGEN AS

Our subsidiary Opplysningen AS, which until 2005 operated under the name Teleservice AS , is responsible for our directory enquiries products, which are supplied to consumers in Norway both electronically and manually. Opplysningen AS aims to simplify and rationalize the customer s working day by making information and communication services easily accessible to users.

We own Opplysningen through our subsidiary Telenor Venture IV AS. 15% of the stake in Opplysningen is owned by an external investor, which also holds a 49% stake in Telenor Venture IV AS following the exercise of an option to increase its stake in Telenor Venture IV AS by 29% in June 2005.

During 2005 Opplysningen AS was reorganized into the following divisions: Opplysningen 1881 AS (Voice services), Opplysningen Mobil AS (Mobile services) and Opplysningen Online AS (Internet sites), with Opplysningen AS as the mother company.

RESEARCH AND DEVELOPMENT

We have Research and Development (R&D) capabilities focusing on new technology and applications in the information and communication technologies field.

R&D activities are coordinated with each of our business areas with the aim of supporting present business and new business under development. We had approximately 180 employees in our R&D activities at the end of 2005. In addition, extensive cooperation with leading research establishments at home and abroad ensures that we have access to many results and findings of other institutions and companies. In 2004, R&D participated in 25 international projects, mainly under the direction of the EU and EURESCOM, in addition to substantial participation within various standardization bodies.

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Our R&D activities are primarily directed towards future mobile systems but also address other issues. R&D contributes new concepts and product ideas to our business activities. Testing and demonstrating new services form an essential part of this activity.

On January 20, 2006, we announced that we will establish an Asia Pacific Research and Innovation Centre in Malaysia which will strengthen our competitive advantage by providing all of our mobile network operations with insights into the latest Asian consumer trends and service innovations.

REGULATION

Regulatory Environment

Our operations are subject to a number of industry-specific as well as general laws and regulations on the national and international level. The following section provides an overview of these regulations and describes their material effects on our business activities. In addition to general competition law at the European and national level, our business activities continue to be primarily governed by regulations specific to the telecommunications markets in each of the countries where we operate. For more information regarding these country-specific regulations outside of countries not discussed in this section, please see **Regulatory matters** for each of our business segments in **Item 4: Information on the Company**.

European Union Regulation

EU legislation is generally applicable in Norway under the European Economic Area (EEA) Agreement, as well as in each of the EU Member States in which our subsidiaries operate. EU legislation can take a number of forms. Regulations have general application and are binding in their entirety and directly applicable in EU Member States. Directives are binding, but national authorities may choose the form and method of implementation.

The EU legislation on the telecommunications sector consists of five main directives, which were adopted in 2002. They intend to create a harmonized regulatory framework in the EU and the EEA for electronic communications networks and services, while at the same time reducing the overall level of regulation of the sector.

Under the EU/ EEA framework, national regulatory authorities throughout the EU and EEA are to undertake a market analysis to determine markets without effective competition. As a consequence, certain preemptive remedies are to be imposed against companies that have significant market power (SMP) in such markets. The standard remedies provided by the directives are transparency, non-discrimination, accounting separation, access, and price control and accounting obligations.

The market analysis described above is conducted for 18 relevant markets according to a recommendation by the European Commission. It will be undertaken on a regular basis and, therefore, new market developments could possibly lead to the imposition of new regulations or to the amendment or withdrawal of existing regulations. The obligations imposed are intended to be proportionate to regulatory need and to the policy objectives of the directives. Where the market analysis indicates that there is effective competition in a relevant market, no obligations shall be imposed, and competition law shall form the sole basis for regulation. The national regulatory authorities are given discretionary power with respect to regulation based upon their own market analyses, restricted only by the harmonization procedure of the directives.

In 2006, the EU will start reviewing the regulatory framework of the telecommunications sector. The review will include the directives and the recommendation including the list of relevant markets, and is expected to lead to a new recommendation on relevant markets by the end of 2006. Update and adoption of the revised directives is not expected earlier than 2009.

As it develops, EU legislation will continue to have a significant effect on our markets, including developments relating to the convergence of Internet, media and information technology.

Table of Contents**WTO Obligations**

Each of the countries in which we have invested or have subsidiaries is a member of, or is negotiating accession to, the World Trade Organization (WTO). Those that are already WTO members have also signed the Basic Telecommunications Agreement (BTA), which is administered by the WTO. The BTA obliges signatories to provide foreign telecommunications service suppliers with market access to some or all of their basic telecommunications services on a non-discriminatory basis. In addition, a number of signatories, including Norway and certain other countries in which we have investments or subsidiaries, agreed to abide by certain pro-competitive principles, including the prevention of anti-competitive behavior, interconnection, universal service, transparency of licensing criteria, independence of the regulator and non-discriminatory allocation of scarce resources. As a result, the regulatory frameworks of these countries, with respect to both telecommunication services and services in general, must be consistent with their obligations under the BTA. As our Norwegian and other European subsidiaries are already governed by EU regulations, the WTO rules are of particular importance to our non-European investments and subsidiaries

Norway

Although not an EU member, Norway is required, as a member of the European Economic Area (EEA), to adhere to the EU's regulatory framework to the extent that the EU directives are adopted by the EEA pursuant to the EEA Agreement. As a result, Norwegian legislation, including the Norwegian Electronic Communications Act (ECA) of July 25, 2003 (which replaced the former Telecommunications Act of 1995), and the secondary legislation under this act, is in line with the European Union telecommunications framework.

The telecommunications sector in Norway is regulated through both sector-specific and general laws and regulations, including the ECA, and the laws implementing the EU directives. Norwegian and EU/ EEA competition laws also apply to our telecommunications activities and our other core activities in Norway. In addition, various other intellectual property and data and consumer protection laws govern our core activities. The Norwegian Broadcasting Act of December 4, 1992 (Broadcasting Act) and secondary legislation under this act are applicable to our cable television and terrestrial broadcasting network activities.

Regulatory framework and developments

The telecommunications sector in Norway is regulated by the ECA and the secondary legislation under this act, which implements the EU regulatory framework for the telecommunications sector. In accordance with the requirements of EU law, the Norwegian Post and Telecommunications Authority (PT) is currently conducting an analysis of the 18 telecommunications markets and expects to complete most of its review in 2006. To the extent the PT decides any of these markets to be subject to insufficient competition, it may impose certain preemptive remedies against companies that have significant market power (SMP) in any of these markets, as discussed under Regulation European Union Regulation .

For the period until the market analyses under the EU framework are finalized, we are subject to certain transition rules issued by the ECA. Under these rules, we are still considered to have SMP in the markets for voice telephony (both fixed and mobile), transmission capacity and interconnection (both our fixed and mobile operations) and, therefore, are required to comply with the specific regulatory provisions applicable to operators with SMP. In addition to specific regulatory provisions on SMP operators, the government also addresses universal service obligations (USO) and special service obligations (SSO) by designating certain operators as USO providers and by entering into purchasing agreements with preferred service providers. For further information on our current USO and SSO, you should read Universal service obligations and Special service obligations .

So far, the PT has issued consultative documents for all of the 18 relevant markets. We have been identified as an operator with SMP in 16 of these markets. The PT has issued decisions on special regulatory measures in two wholesale mobile markets and in two wholesale fixed broadband markets. Telenor has filed appeals with the Norwegian Ministry of Transport and Communication (the Ministry) regarding the market for mobile termination, the wholesale market for access to and call origination in mobile networks and the

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market for the unbundling of access to the copper local loop. The final decisions are still pending. In the fixed retail markets, the PT has issued draft decisions in the fixed telephony markets and the market for leased lines up to and including 2Mbps. In the wholesale fixed markets the PT has issued draft decisions in all markets on the list. Before publishing the final decisions, the PT will notify the EFTA Surveillance Authority according to the consultation mechanism in the ECA. In the wholesale market for transmission of broadcasting signals to end-users and the wholesale market for international roaming, the PT proposes to refrain from sector regulation.

Regulations on the provision of networks and telecommunications services

Generally, the Norwegian regulatory regime poses few barriers to entry for new service providers. Its regulations establish general rules regarding, among other matters, registration, information on terms of subscription, interconnection, universal service obligations, special service obligations and appeal procedures and sanctions. Operators that are deemed to have SMP in markets that are susceptible to sector specific regulation may be subject to additional regulatory requirements in such areas as network access, transparency, non-discrimination, accounting separation and price control. These regulations also regulate number allocation, number portability and carrier selection, which are important elements of the regulatory regime for telecommunications operators.

There is no maximum number of registrations or licenses that may be granted under the ECA. However, since the radio spectrum is a limited resource, the number of licenses that are granted may be limited as a practical matter. Before granting a mobile license, the Ministry is required to announce publicly that there are new licenses available.

Regulation of satellite, cable television, terrestrial broadcasting networks and television distribution

Our satellite transmission activities are mainly governed by the provisions relating to technical requirements and allocation of frequencies in the ECA and the secondary legislation under the ECA. Satellite activities are also governed by international rules issued by the International Telecommunications Union (ITU). The PT is formally responsible, on behalf of the Kingdom of Norway, for dealing with the ITU with regard to the international coordination process.

In the countries where we have satellite installations, we must have licenses to operate radio equipment and use frequencies from the relevant national regulators. We also must comply with technical rules, including rules for type approval, in the relevant jurisdictions. In addition, we follow the decisions and recommendations of the European Conference of Postal and Telecommunications Administrations and the ITU. We are also required to adhere to the general international space law principles and conventions on liability and registration.

Both the ECA and the Broadcasting Act, and secondary legislation under these acts, govern our cable television activities. The most important regulations relate to must-carry rules for public broadcasters, subscriber choice for programs/channels, re-transmission of broadcast channels with an unlawful content. Cable owners have a duty to retransmit the television broadcasts of the NRK, the broadcast company TV2, and certain terrestrial local public television services. Programs subject to obligatory retransmission must be transmitted via channels that are available to every subscriber to the network. The regulations in the Broadcasting Act with respect to transmission of unlawful content are also relevant for our satellite distribution activities.

In connection with our terrestrial broadcasting network, we have been granted, in accordance with the ECA, radio line and transmitter network licenses authorizing us to, among other things, sell or lease capacity to broadcasting companies and to transmit programs for broadcasting. These licenses are valid until November 2006 and can be renewed after such date. The licenses may be withdrawn if numerous or substantial breaches of the terms of the licenses occur, subject to a fourteen-day notice period.

Table of Contents*Universal service obligations (USO)*

The regulatory framework for USO in Norway primarily covers the fixed public telephony service, leased lines (connections up to 2 Mbps) and certain data services. Our current USOs are set out in an agreement that we entered into with the government on September 1, 2004. Under this agreement, we are under an obligation to provide fixed public telephony services at an affordable price to all households and enterprises, while leased lines and data services must continue to be accessible for all enterprises. In addition, the agreement obliges us to provide consumers with cost control measures for their fixed telephony spending. Other services that are classified as USO include the provision of public pay phones, publicly available directory enquiry services and directories and services for the disabled.

In 1999, the Storting (the Norwegian Parliament) restated that we are obliged to satisfy our USO without compensation unless our obligations are extended, our market share decreases substantially or USO becomes concentrated on the least profitable parts of the market.

Special service obligations (SSO)

We have also entered into agreements with the Ministry, pursuant to the ECA, under which we are required to provide certain SSO, including special defense-related services, coastal radio services and services for the arctic islands of Svalbard. The government compensates us for the incremental cost of these services on a case-by-case basis. Under the ECA, we negotiated the scope of our SSO and our compensation for our SSO directly with the competent ministries and with the PT.

Non-discrimination, transparency and objectivity requirements

Under the transition rules of the ECA, as an operator with SMP, we are required to offer our services in a manner that avoids discrimination between the buyers of our services, unless different conditions can be justified on objective grounds. The PT has increasingly focused on the non-discrimination requirement, with respect to both external services providers' access to networks and special discounts for certain segments of our markets. We expect that, following completion of the PT's market analysis under the ECA, these requirements will continue to apply in the relevant markets where it is determined that there are operators with SMP. In all decisions and in draft decisions on remedies, the PT has imposed non-discrimination clauses.

On June 6, 2005, the PT issued a decision barring us from providing "win-back" and "welcome" offers to new end user customers without providing the same offers to existing customers. In addition, the PT required us to publish all of our offers and discounts on our website under its transparency requirements. We have implemented both of these requirements.

Cost accounting and price regulation

Under the transition rules of the ECA as an operator with SMP, we are required to follow certain principles for pricing, accounting and reporting on public telephony service, interconnection and transmission capacity. We are responsible for specifying, implementing and maintaining cost accounts as a basis for monitoring that our prices for regulated services are cost-oriented, objective and non-discriminatory. The PT continuously evaluates our compliance with cost-orientation with respect to our regulated services. According to the PT, a strict interpretation of "cost-orientation" requires prices to be calculated based on costs, plus a reasonable rate of return. With regard to any special offers in the market, we are further required to furnish to the PT documentation relating to the relevant cost savings upon request. Furthermore, the PT also evaluates discounts from the point of view of non-discrimination.

We submit the historic cost accounting information to PT on an annual basis in the ONP (Open Network Provision) report. The report contains financial and other required information about our regulated services for the previous fiscal year based on fully distributed historical costs (FDC). In practice, the PT reviews our compliance with the requirements for costing, pricing, non-discrimination and transparency through its review of our ONP report in addition to specific requests for more detailed information in selected areas. In

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considering whether our rate of return for our regulated services in a certain year is reasonable, we believe that other factors should be duly taken into account, including, without limitation, the characteristics of the relevant market, the long-term perspective of our underlying investments, and the risks associated with such investments.

In December 2004, the PT decided that the ONP report should continue to be prepared in accordance with the principles of the former regulatory regime. We expect our ONP report for the fiscal year 2006 to be the first report required to be prepared pursuant to the principles of the new regulatory regime introduced by the ECA.

The following table sets forth our operating profit and average capital employed for our regulated services as reported in our ONP reports for 2002, 2003 and 2004. We expect the PT to set forth guidelines for a new reporting system following completion of the market remedies decision for the relevant markets as required under the EU regulatory framework.

	2002	2003	2004
	(NOK in millions)		
Fixed telephony			
Operating profit	2,184	2,607	2,660
Average capital employed	11,735	10,281	8,747
Mobile telephony			
Operating profit	2,221	2,222	2,369
Average capital employed	3,431	2,932	2,938
Leased lines			
Operating profit	295	316	469
Average capital employed	3,287	3,259	2,934

Under the former Telecommunications Act, the regulatory authorities had no legal basis to retroactively adjust our prices. However, in connection with the enactment of the ECA, the Storting requested the Ministry to assess whether it would be appropriate to give the regulatory authority a legal basis to decide that prices could be adjusted retroactively. The outcome of that assessment from the Ministry is still pending.

Accounting separation and review

Under the transition rules of the ECA, we are required to keep our accounts for the provision of public telephony services, public networks, transmission capacity and interconnection separate from our accounts for other business activities. We are obliged to supply information to that respect in our annual ONP report to the PT. The accounts are subjected to a limited review by an external accountant and must be made publicly available.

Interconnection and access General

As an SMP operator, we are required to offer interconnection services and access to our fixed and mobile networks to our competitors in the wholesale market in a manner that avoids discrimination between our competitors and our business units, unless different conditions can be justified on objective grounds. Our current obligations with respect to interconnection and access will be evaluated as part of the PT's market analysis of relevant markets under the ECA.

Fixed network interconnection

Under the transition rules of the ECA, we are required to have cost-oriented interconnection tariffs for fixed network interconnection services. The PT has the authority to investigate whether the interconnection tariffs applied by operators with SMP are cost-oriented and to mandate that tariffs be changed if they do not satisfy the cost-orientation requirement. Fixed network interconnection tariffs are also calculated on the basis of forecasted costs and volumes.

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On March 24, 2006, the PT issued decisions under the ECA framework designating us an operator with SMP in the wholesale markets for call origination, call termination and transit services in the fixed network. In addition, the PT also notified twelve other operators as having SMP for call termination on fixed networks. The special obligations imposed on us in these three markets include price regulation according to a maximum price in accordance with our current prices, until the PT makes a new price decision. In addition, wholesale inputs related to the basic interconnection products like co-location and port charges are subject to price regulation according to cost orientation (fully allocated historical cost). Obligations for cost accounting, non-discrimination and standard offers and transparency also apply for origination, termination and transit.

Mobile network interconnection

Under the transition rules of the ECA, mobile network interconnection tariffs must also be cost-oriented if the PT has notified the mobile operator that it has SMP in the national market for interconnection. On September 19, 2005, the PT issued a decision finding that each of Telenor, NetCom, Teletopia and Tele2 have SMP in the market for mobile termination. According to the decision, however, only we and NetCom will be subject to price cap regulation. We appealed the decision on October 10, 2005. From November 1, 2005, Telenor Mobil was instructed to reduce its interconnection charges, including the set-up charges, by NOK 0.05 to NOK 0.68. From July 1, 2006 a further adjustment of Telenor Mobil's interconnection charges of NOK 0.03, would reduce the charges to NOK 0.65. Upon our request, the Ministry issued a stay on the imposition of the regulated price of NOK 0.68 until final decision of the dispute.

Access for resellers in the fixed network (Wholesale line rental)

On September 15, 2005, the PT issued a draft decision to us proposing certain wholesale access obligations on us for wholesale line rental for PSTN/ ISDN products. You should read Retail Markets for further information.

Access for Mobile Virtual Network Operators (MVNOs)

An MVNO provides mobile services without controlling radio spectrum or radio network facilities. The MVNO buys radio spectrum and access to core network components such as base stations, but keeps control over traffic routing and SIM-card production. Under the ECA, the PT may require mobile operators with SMP to give access to their networks to MVNOs on non-discriminatory commercial terms, following the completion of the PT's market analysis under the ECA. On January 20, 2006, the PT issued a decision in the wholesale market for access to and call origination in mobile networks, requiring us to provide MVNOs access to our mobile network on the basis of a standard agreement at non-discriminatory terms. No price regulation applies to MVNO access. We appealed the decision on February 13, 2006.

Access for mobile service providers

Both we and NetCom have signed wholesale agreements with mobile service providers. Under these agreements, we sell all network services, including SIM-cards, to mobile service providers, who then provide mobile services using our infrastructure. We are currently involved in a dispute with Sense Communication regarding pricing and other issues related to the service provider agreement. You should read Item 8: Financial Information Legal Proceedings for additional information about this litigation.

On January 20, 2006, the PT issued a decision in the wholesale market for access to and call origination in mobile networks. The decision removes the specific obligations on service provider access in Telenor's mobile network under the transition rules. We appealed the decision on February 13, 2006.

Access for value-added telephony service providers

We are required to provide network access for external providers of value-added telephony services. The terms and conditions must be non-discriminatory and similar to those which are offered to our internal providers of such services, that is, our business units. We offer access to all our competitors via standardized network external interfaces.

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Access for broadband service providers

Wholesale DSL products, which complement other forms of access and local loop unbundling, have become increasingly important in the broadband market. From time to time, the PT (as well as the Competition Authority) has monitored the terms in our wholesale DSL agreements. On February 20 2006, the PT issued a decision on the wholesale broadband access market. According to the decision, we are designated an operator with SMP in the markets for wholesale broadband access. The special obligations imposed on us by the PT include a general access obligation on broadband access and obligations regarding transparency, non-discrimination and accounting separation.

Local loop unbundling

Following various regulatory decisions we have been offering to our competitors the ability to lease capacity in the local loop and we allow competing operators to deploy technical equipment in connection with our installations. This offering is equivalent to full unbundled access to the local loop. In addition, we offer shared access to the local loop, as well as access to the local sub loops for our competitors. So far, none of our competing operators has requested such access. Our pricing structure is based on cost.

On February 20 2006, the PT issued a decision for the market for the unbundling of access to the copper local loop. According to the decision we have SMP under the new ECA regulatory framework in this market. The special obligations imposed by the PT include price regulations for full unbundled access to the loop until December 31, 2007, with a proposed price decrease from the current price of NOK 135 per month to NOK 105 on June 1, 2006 and another decrease to NOK 95 per month on January 1, 2007, respectively. We appealed the decision on March 13, 2006.

Wholesale Leased Lines

In August 2004, the PT decided, at the request of BaneTele, that we are required to offer a new dedicated capacity product (Wholesale Leased Line Part Circuit) on a wholesale basis. From May 1, 2005, we provided Digital Aksess, a new wholesale access product with a different price structure than ordinary leased lines.

On December 21, 2005, the PT issued a draft decision in the wholesale markets for access and transport capacity. We were designated an SMP operator in both markets. Under the draft decision, we are required to give access to all reasonable requests for wholesale access capacity products including Digital Aksess, dark fiber and co-location. Prices for access capacity shall be cost oriented. In the wholesale transport capacity market no price regulation is proposed. In both markets requirements for non-discrimination, standard offers and transparency and accounting separation are suggested by the PT's draft decision.

Mobile national roaming

Mobile operators with SMP (currently both us and NetCom) are required to provide national roaming to other mobile operators in areas where the requesting operator's network does not have geographical coverage. GSM 1800 licensees are required to build a network covering the four largest cities in Norway (Oslo, Bergen, Trondheim and Stavanger) before being entitled to have national roaming. In addition, UMTS licensees are entitled to roaming on the networks of GSM operators with SMP (Telenor and NetCom) in those areas where the UMTS operator's network does not have coverage, without being subject to network coverage obligations similar to those of GSM operators.

On January 20, 2006, the PT issued a decision in the wholesale market for access to and call origination in mobile networks. The decision obliges Telenor to grant any reasonable request for access for national roaming to the mobile network, requiring us to have cost oriented prices and keep cost accounts for national roaming. We appealed the decision on February 13, 2006.

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Retail Markets

On September 15, 2005, the PT issued a draft decision notifying us as an SMP operator in all six of its designated fixed telephony retail markets. The special obligations imposed on us in the retail markets for access to the public telephone network include restrictions on our ability to bundle retail products except for broadband products, and restrictions on our ability to determine prices in the retail markets unless objectively justified by cost differences. The PT is also proposing general wholesale access obligations for wholesale line rental for PSTN/ISDN products, including transparency, non-discrimination and price regulation and costing obligations. On March 2, 2006 the PT referred the draft decision to EFTA Surveillance Authority.

Carrier selection

All operators providing access to the fixed network are required to allow their customers to select other operators to handle their calls. This can be done on a call-by-call basis by dialing a four-digit prefix in addition to the called telephone number or by means of carrier pre-selection. Subscribers have the ability to make two pre-selections of carriers. The first pre-selection includes national traffic to geographical, most non-geographical and mobile numbers (traffic to numbers with extreme traffic fluctuations have been exempted), while the other pre-selection includes all international traffic.

Number portability

Number portability allows subscribers to keep their telephone numbers when changing service providers. All telephony service providers in Norway must support number portability. In February 2001, the PT decided to extend number portability to mobile telephone numbers. Number portability in mobile networks became effective on November 1, 2001. In Norway, there is no requirement for cross portability between fixed and mobile telephone numbers. In addition, pursuant to the secondary legislation under the ECA, we are exempt from any portability obligation for IP-telephony numbers.

Rights of way

We are currently involved in disputes with Vegdirektoratet, the Norwegian public highway operator, and some local municipalities, regarding the appropriate level of compensation for our use of their land for certain telecommunications purposes under the Norwegian Expropriations Act and the ECA. The level of compensation is important for our cost base, although the net effect of increased levels of compensation would potentially be offset by increases in service prices. We expect the Ministry to resolve this dispute with Vegdirektoratet, and we believe that a decision by the Ministry would also set a precedent for our dispute with the municipalities.

VoIP regulation

The PT in 2005 issued a policy report clarifying the existing legislation for VoIP. In the report, the PT concluded that VoIP-services arranged for any-to-any communication should be considered a public telephony service, and that obligations put on public telephony services in principle should be valid for such VoIP-services as well. The PT however granted temporary exemption for some of these obligations. In the draft market analysis for the telephony markets the PT concluded that VoIP utilizing the public telephone network was considered to be a part of the retail telephony markets. The PT in 2005 also issued a hearing document regarding VoIP-services not arranged or partly arranged for any-to-any communication, proposing that these services are not public switched telephony services. The PT has not yet issued a policy document based upon this hearing.

Competition Law

All of Telenor's operations in Norway are subject to the rules of the Norwegian Competition Act of March 5, 2004 (the Competition Act) and the competition rules of the EEA Agreement. The Competition Act is based on prohibitions against anti-competitive behavior similar to the prohibitions contained in the EEA Agreement and EC Treaty. The Competition Authority may intervene and declare specific behavior anti-

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competitive, and may review acquisitions or mergers of enterprises if such acquisitions or mergers create or strengthen a significant restriction on competition. Violations of the Competition Act may result in periodic penalty payments, administrative fines or penalties and/ or imprisonment up to six years.

The ESA and the EU Commission may intervene in transactions that meet certain size and turnover thresholds, and which create or strengthen a dominant position as a result of which effective competition would be significantly impeded in the EEA/ EU's common market.

From time to time, Telenor's competitors and customers file complaints with the Competition Authority and the EFTA Surveillance Authority (ESA) alleging that Telenor is abusing its dominant market position in various respects or in respect to mergers. Moreover, these authorities may also start investigations on their own initiative. There are currently several cases currently pending before the Competition Authority and the EFTA Surveillance Authority.

Norwegian Competition Authority

There are several cases involving us pending before the Competition Authority.

In September 2004, Tele2 filed a complaint with the Competition Authority in connection with Telenor's launch of certain free additional subscription services in the retail market. Tele2 claimed that the offering of additional services to consumers resulted in a margin squeeze. In October 2004, the Competition Authority requested a response to the allegations from Tele2. Telenor responded in a letter November 12, 2004. The case is pending.

In November 2004, the Competition Authority received a complaint from Tele2 in connection with Telenor's launch of Mini , a fixed telephone service subscription targeted at consumers who make limited use of the fixed telephone service. Tele2 maintains that the service establishes a margin squeeze. Tele2 has asked for an interim decision. The Competition Authority notified Telenor of this complaint and requested information about the alleged restrictive behavior. Telenor filed an answer with the Competition Authority in December 2004. On February 9, 2005, the Competition Authority rejected Tele2's request for an interim decision. The case is pending.

In January 2005, NetCom filed a complaint with the Competition Authority alleging that Telenor has infringed a previous decision by the Authority prohibiting Telenor from entering into exclusive distribution agreements for mobile subscriptions. The complaint also alleges that Telenor has circumvented the Competition Authority's decision by distributing mobile subscriptions through a franchise company in which it holds a 49% ownership interest. Telenor filed an answer with the Competition Authority in January 2005. The case is pending.

In February 2005, NetCom filed a complaint with the Competition Authority alleging that the launch of Telenor's Total-customer concept (5% rebate when demanding three services from Telenor) involves an illegal bundling of separate services. Telenor submitted an answer to the Competition Authority in March 2005. The Competition Authority has in a letter dated January 23, 2006 asked Telenor to provide information concerning costs and prices for all services involved in the rebate. A more thorough explanation of the efficiencies that justifies the rebate has also been requested. The case is pending.

EFTA Surveillance Authority (ESA)

In July 2001, Viasat AS filed a complaint to ESA alleging that Canal Digital AS's exclusive right to distribute TV2 by satellite (DTH) infringes the competition provisions of the EEA Agreement. Before the complaint was filed with ESA, both the Competition Authority and the Norwegian Ministry of Labour and Administrative Affairs concluded that the agreement is not anti-competitive under the Norwegian Competition Act. In 2003, the parties reached an agreement with ESA, whereby Canal Digital's exclusive right to distribute TV2 by satellite was discontinued from October 1, 2003. Following negotiations with both Viasat and Canal Digital, TV2 entered into new exclusive distribution agreements with Canal Digital. The agreement expired in October 2005 and no new agreement was entered into by the parties. The ESA final decision is still pending.

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ESA has requested information on Telenor's ADSL pricing to both wholesale and to end-users.

Consumer Protection

From time to time, our competitors and customers file complaints with the Norwegian Data Inspectorate (Datatilsynet) or with the Consumer Ombudsman (Forbrukerombudet). The Consumer Ombudsman, in particular, has actively monitored our and other telecommunications operators' marketing activities and standard consumer contracts. Among other things, the Consumer Ombudsman has required mobile operators to restrict the duration of lock-in periods and the conditions for terminating the contract within the specified lock-in period.

Gender Equality

In order to promote gender equality, Norwegian law requires public and private companies to have a board of directors that is composed to at least 40% composed of women. This requirement is subject to a two year transitional period until August 2007 for privately-owned companies. We currently comply with the legislation.

Data Retention

In December 2005, the European Parliament adopted a directive on traffic data retention, which mandates the systematic storage of traffic and location data created when using electronic communications services for the purpose of fighting terrorism and serious crime. Once formally adopted by the Council and implemented by EU Member States and Norway, the directive is expected to affect our operations in Norway and the European Union, as it will require us to collect and systematically store additional types of data compared to what is currently being stored for the purposes of customer billing and settlement of interconnection payments. In addition, increased data retention periods are expected to lead to higher storage costs.

ORGANIZATIONAL STRUCTURE

Telenor ASA is considered a holding company that holds a majority of the group assets through various subsidiaries, which it owns or invests in. Each of the following is a significant subsidiary of Telenor ASA: Telenor Mobile Communications AS, Telenor Mobile Holding AS, Telenor Telecom Solutions AS, Telenor Network Holding, Telenor Mobil AS, Kyivstar GSM JSC, Pannon GSM RT and DiGi Telecommunications Sdn Bhd. You should read Item 19: Exhibits Exhibit 8 for additional information on our significant subsidiaries. For information on our new business structure, you should read Strategy Organization .

PROPERTY, PLANTS AND EQUIPMENT

Our principal executive offices are located at Snarøyveien 30, N-1331 Fornebu, Norway and comprise 147,000 square meters of office space. The total area of all our properties comprises 800,000 square meters. Substantially all of these properties are used for telecommunications and computer installations, service outlets, research and design centers and offices. Generally, we own most of our properties, although we also lease space in a number of locations. We currently lease approximately 160,000 square meters of office space pursuant to lease agreements

Set forth below is a summary of our lease obligations through 2009:

	2005	2006	2007	2008	2009	After 2009
	(NOK in millions)					
Total lease obligations	151	90	72	65	58	218

Our headquarters comprise approximately 147,000 square meters of office space with a capacity for 7,000 to 8,000 employees. Surplus square meters available have been sub-let or sold.

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We are actively engaged in the management of our properties. Through our division Telenor Eiendom Holding AS, we ensure that we have the use of sufficient office premises and floor space to enable our principal business activities to be carried out effectively and on favorable terms without substantial capital expenditures.

ITEM 4A: UNRESOLVED STAFF COMMENTS

None.

ITEM 5: OPERATING AND FINANCIAL REVIEW AND PROSPECTS
INTRODUCTION

The following discussion should be read in conjunction with our consolidated financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, which differ in certain respects from US GAAP. For a reconciliation of the material differences between IFRS and US GAAP, you should read note 38 to our consolidated financial statements.

You should read Item 4 Information on the company Overview for information on our operating segments.

From January 1, 2005, as required by the European Union's IAS Regulation and the Accounting Act, we have prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). IFRS as adopted by the EU differ in certain respects from IFRS as issued by the International Accounting Standards Board (IASB). However, the consolidated financial statements for the periods presented would be no different had Company applied IFRS as issued by the IASB. References to IFRS hereafter should be construed as references to IFRS as adopted by the EU. Comparative figures are prepared for 2004.

We are exposed to risks and uncertainties which could have a material adverse effect on our business, financial condition, liquidity, results of operations or prospects. Such risks and uncertainties relate to, among other things:

the political, economic and legal environment in the foreign countries in which we operate;

increased competition;

the actions of other principal shareholders within consolidated or main associated companies;

our exposure to currency exchange rate fluctuations, when reporting in Norwegian Krone;

regulatory developments both in and outside Norway.

You should read Item 3: Key Information Risk Factors for a more detailed discussion of these risks and uncertainties. In addition, this Item 5 may contain certain forward-looking statements. You should read Cautionary Statement Regarding Forward-Looking Statements in this annual report on Form 20-F for a more detailed discussion of forward-looking statements.

Table of Contents**DEFINITIONS**

In the following overview of our operations and the discussion and analysis of each consolidated subsidiary and associated company, the following terms, unless otherwise defined, have the meanings specified below.

Man-years. The number of full-time equivalent employees.

Mobile Operations

Subscription and traffic consists of subscription and connection fees, revenues from voice outgoing airtime, non-voice traffic, outbound roaming and other mobile service revenues. Subscription and traffic include only revenues from the company's own subscriptions.

Interconnection revenues consists of revenues from incoming traffic. Revenues from incoming traffic related to service provider subscriptions are not included.

Other mobile revenues consists of inbound roaming, national roaming and revenues related to service providers and MVNOs (Mobile Virtual Network Operators).

Non-mobile revenues consists of revenues from customer equipment and businesses that are not directly related to mobile operations.

Subscriptions. Contract subscriptions are counted until the subscription is terminated. Prepaid subscriptions are counted as active if there has been outgoing or incoming traffic or if the SIM-card has been reloaded during the last three months. Service provider and MVNO subscriptions are not included. Data only SIM-cards are included, but SIM-cards used for telemetric applications are excluded. Telemetric is defined as machine-to-machine SIM-cards (M2M), for example, vending machines and meter readings.

Average traffic minutes per subscription per month (AMPU). Traffic minutes per subscription per month are calculated based on total outgoing and incoming rated minutes from the company's own subscriptions. This includes zero rated minutes and outgoing minutes from own subscriptions while roaming. Outgoing and incoming minutes related to inbound roaming, national roaming, service providers and MVNOs are not included.

Average revenue per subscription per month (ARPU). ARPU is calculated based on mobile revenues from the company's own subscriptions, divided by the average number of subscriptions for the relevant period.

Mobile revenues from company's subscriptions consists of Subscription and traffic and Interconnection revenues and do not include revenues from inbound roaming, national roaming, service providers, MVNOs, sale of customer equipment and incoming traffic related to service provider subscriptions.

SMS/MMS and content messages. The number of messages is based on outgoing and incoming messages from the company's own subscriptions. Included are rated and free messages related to SMS, MMS and content domestically and when roaming. Outgoing and incoming messages related to inbound roaming, national roaming, service providers and MVNOs are not included.

Costs of material and traffic charges. Costs of traffic and material charges include some operating lease costs, primarily lease of some dedicated network and satellite capacity within our Group companies.

Other operating expenses. Other operating expenses include items such as operating leases of building, land and equipment, advertising expenses and costs associated with marketing and sales commissions. Please see note 8 to our consolidated financial statements for a fuller list.

Fixed Operations

Telephony consists of subscription and connection fee, traffic (fixed-fixed, to mobile network, to other countries, value added services, other) for PSTN/ISDN and VoIP (Broadband telephony).

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xDSL/Internet consists of subscription fee for xDSL and Internet and traffic charges for Internet traffic (810/815).

Data services consists of Nordicom, Frame relay and IP-VPN.

Other revenues consists of leased lines, managed services and other retail products.

Wholesale revenues consists of sale to service providers of telephony (PSTN/ISDN) and xDSL, national and international interconnect, transit traffic, leased lines, other wholesale products and contractor services.

Broadcast Operations

Distribution consists of Pay-TV subscribers and basic tier households on DTH (direct to home), cable TV subscribers, households in SMATV networks and DTT (digital terrestrial TV) Pay-TV subscribers.

Transmission consists of revenues from satellite services from satellite position 1-degree west and revenue from terrestrial radio and TV transmission in Norway.

Other consists of revenues from conditional access systems and revenue not directly related to Distribution and Transmission services.

GROUP OVERVIEW

In 2005, our group results improved. Profit before taxes was NOK 12.6 billion in 2005 compared to NOK 9.9 billion in 2004. The underlying improvement was primarily due to increased revenues from our international mobile operations.

Our international mobile operations, especially in emerging markets, grew significantly in 2005 and are increasingly important for our business and results of operations. In 2005, we consolidated DTAC (via UCOM) as a result of increased economic interest in these companies that we did not already own. In addition we acquired the fixed-line operations Bredbandsbolaget in Sweden and Cybercity in Denmark. In our Norwegian fixed-line operations, a mature market with increased competition, our revenues decreased. However, our operating profit margin in Fixed Norway increased slightly due to reduced depreciation and amortization. In Broadcast, our number of subscribers, revenues and EBITDA increased.

Capital expenditure increased in 2005 compared to 2004 primarily due to the expansion of the network capacity of our international mobile operations driven by strong growth in the number of subscriptions.

Concurrent with the increase in our capital expenditure, we generated significant and increased cash flows from our operations in 2005 and received payments for the sale of shareholdings. However, our net debt increased during 2005 primarily due to acquisition of companies, purchase of own shares and payment of dividends.

Table of Contents**RESULTS OF OPERATIONS GROUP****Revenues**

Revenues	2004		2005	
	Total	Of which external	Total	Of which external
(NOK in millions)				
Telenor Mobil Norway	11,730	10,504	12,243	11,072
Sonofon Denmark	4,404	4,351	5,191	5,059
Kyivstar Ukraine	4,219	4,217	7,272	7,266
Pannon GSM Hungary	5,907	5,901	6,061	6,051
DiGi.Com Malaysia	3,946	3,943	4,932	4,928
GrameenPhone Bangladesh	2,186	2186	2,970	2,969
Other mobile operations	423	335	2,219	2,076
Fixed	19,256	17,433	19,313	17,140
Broadcast	5,346	5211	5,649	5,518
Other operations	9,540	6,611	9,967	7,060
Eliminations	(6,366)	(101)	(6,890)	(212)
Total revenues	60,591	60,591	68,927	68,927

External revenues increased by 13.8% in 2005 compared to 2004. In 2005, 57% of our external revenues derived from our mobile operations, compared to 52% in 2004. In 2005, the mobile operations in emerging markets experienced high growth in number of subscriptions and revenues. Part of the increase in external revenues in Sonofon and Other mobile operations was due to the full year effect of consolidating Sonofon and ProMonte in 2004 and the consolidation of DTAC in 2005. Measured by the number of subscriptions at the end of 2005, we increased or maintained our market share in our mobile operations in 2005 compared to 2004.

Fixed s external revenues in 2005 decreased by 1.7% compared to 2004. Increased external revenues due to the acquisitions of Bredbandsbolaget and Cybercity were more than offset by decreased external revenues in Fixed Norway. External revenues in Fixed Norway decreased by 6.5% mainly due to decreased revenues from fixed telephony operations.

External revenues in Broadcast increased by 5.9%, primarily due to an increased number of subscribers.

External revenues from Other operations increased by 6.8% primarily due to acquired businesses in EDB Business Partner, partially offset by operations disposed in 2004.

The table below shows our revenues broken down by operations in and outside Norway, based on company location. Our proportional share of revenues from our associated companies are not included in our consolidated revenues. Some of our international operations are carried out in associated companies, primarily VimpelCom. Revenues outside Norway have increased in recent years due to the increased number of consolidated foreign entities as well as underlying growth in existing operations, especially in our international mobile operations.

Revenues	2004	2005
	(NOK in millions)	
Norway	33,397	33,556
Outside Norway	27,194	35,371

Total revenues	60,591	68,927
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Table of Contents**Operating Expenses***Costs of materials and traffic charges*

	2004	2005
	(NOK in millions)	
Traffic charges – network capacity	8,875	10,634
Traffic charges – satellite capacity	1,191	1,066
Costs of materials etc	5,858	6,011
Costs of materials and traffic charges	15,924	17,711

Traffic charges – network capacity expenses consist primarily of traffic charges for providing fixed and mobile services. Of the increase in traffic charges – network capacity expenses in 2005 compared to 2004, approximately NOK 0.8 billion was due to the effect of purchased companies, primarily Bredbandsbolaget and Cybercity and consolidation of the formerly associated companies DTAC, Sonofon and ProMonte. In addition, traffic charges – network capacity expenses increased primarily due to an increase in the number of subscriptions in our mobile operations. Traffic charges – network capacity costs decreased in Fixed Norway, primarily due to decreased traffic.

Traffic charges – satellite capacity expenses are primarily related to sales of satellite broadcasting services (Broadcast) and satellite mobile services and satellite capacity services (Satellite Services). Rent of satellite capacity in Broadcast was primarily reduced due to the replacement of leased satellite capacity with our own satellite transponders from September 2004.

Our mobile operations and Broadcast business area in the aggregate generated approximately 77% of our total costs of materials etc. in 2005, primarily due to sales of customer equipment in our mobile operations and TV-program fees and equipment in Broadcast. Broadcast showed an increase due to increased number of subscribers, new content and change from lease to sale of TV-decoders. This was partially offset by reduced sale of equipment, especially in Telenor Mobil Norway and Pannon.

Own work capitalized

	2004	2005
	(NOK in millions)	
Costs of materials etc.	162	216
Salaries and personnel costs	311	349
Other operating expenses	84	139
Total own work capitalized	557	704

Own work capitalized is presented as a separate caption and is not netted against the related expenses in the profit and loss statement. The various Group companies consolidated in Telenor perform work on their own long-lived assets, which are capitalized, if appropriate. The Group companies expense the related costs in the line items costs of materials, salaries and personnel costs, or other operating expenses as appropriate. The costs that are capitalized are then reversed as change in own work capitalized. Several companies in the Group also perform work on and deliver long-lived assets to other Group companies. The purchasing company capitalizes these long-lived assets. For the Group as a whole this is regarded as a change in own work capitalized and the expenses recorded in the selling companies are reversed as a change in own work capitalized for the Group. Own work capitalized increased in 2005

compared to 2004 due to increased capital expenditure.

Table of Contents*Salaries and personnel costs*

	2004	2005
	(NOK in millions)	
Salaries and holiday pay	7,554	7,794
Social security tax	1,142	1,138
Pension costs including social security tax	837	772
Share-based payments, excluding social security tax(1)	28	20
Other personnel costs	409	512
Total salaries and personnel costs	9,970	10,236

(1) Include share options and employee share ownership program, excluding social security tax on these payments.

The purchase of DTAC, Bredbandsbolaget and Cybercity increased total salaries and personnel costs by approximately NOK 150 million in 2005 compared to 2004.

Salaries and holiday pay increased, due to net effect of purchased and sold companies, growth in mobile operations in emerging markets and general wage increases. This was partially offset by reductions in number of employees in the mobile operations the Nordic region and Fixed Norway.

The number of full-time equivalent employees at December 31, 2005 increased by approximately 6,700 compared to December 31, 2004. The number of full-time equivalent employees outside of Norway increased by approximately 7,200 due to the consolidation of DTAC, Bredbandsbolaget and Cybercity and increased activity in GrameenPhone, Kyivstar and Pakistan. In Norway, we reduced the number of full-time equivalent employees by approximately 500, primarily due to cost efficiency activities and the sale of businesses. The average number of full-time equivalent employees was estimated to be approximately 2,850 higher in 2005 compared to 2004.

Pension costs decreased in 2005 compared to 2004. In 2005, we adjusted our actuarial tables for death and disability and decided that a part of the defined benefit plan (spouse pension) in Norway should be terminated with effect from January 1, 2006. The net effect of the settlement and curtailment was recorded in 2005 with a gain of NOK 63 million (excluding social security tax) to the income statement. We also decided that our employees in 2006 may chose to change their pension plan to a defined contribution plan. The effect, if any, will be recorded as a curtailment in 2006.

Other operating expenses

	2004	2005
	(NOK in millions)	
Operating lease of building, land and equipment	1,070	1,248
Other cost of premises, vehicles, office equipment etc	793	860
Operation and maintenance	3,628	4,315
Travel and travel allowances	482	489
Postage freight, distribution and telecommunication	296	389
Concession fees	582	862
Marketing and sales commission	3,735	4,873
Advertising	1,416	2,019
Bad debt	248	311
Consultancy fees and external personnel	1,350	1,757
Other	271	483

Total other operating expenses	13,871	17,606
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Other operating expenses increased by approximately NOK 3.7 billion, or 26.9%, in 2005 compared to 2004. The consolidation of DTAC, Bredbandsbolaget and Cybercity contributed to this increase by approximately NOK 0.7 billion.

Expansion of owned and leased property, plant and equipment and consolidation of companies resulted in increased costs for operation and maintenance, operating lease and other cost of premises, vehicles, office equipment, etc.

Costs for marketing, sales commissions and advertising increased by approximately NOK 1.7 billion, of which approximately NOK 0.2 billion was due to consolidation of companies acquired in 2005. The increase was primarily due to the significant increase in the number of new subscriptions, primarily in our mobile operations in Asia, but also in Telenor Mobil Norway.

Increased costs for concession fees were primarily related to DTAC and increased costs for universal service obligations in DiGi.Com.

Part of the increased costs for consultancy fees and external personnel was related to Fixed Norway due to implementing process improvement projects and costs related to increased speed for xDSL subscriptions.

Other income and expenses

	2004	2005
	(NOK in millions)	
Gains on disposal of fixed assets and operations		
Sonofon Denmark		1
Pannon GSM Hungary	5	10
Fixed	10	88
Broadcast	1	1
EDB Business Partner	303	31
Other business units	144	22
Corporate functions and Group activities	99	163
Eliminations		4
Total gains on disposal of fixed assets and operations	562	320
Losses on disposal of fixed assets and operations		
Telenor Mobil Norway		16
Pannon GSM Hungary	3	19
DiGi.Com Malaysia		5
GrameenPhone Bangladesh	8	10
Other mobile operations		1
Fixed	25	65
Broadcast	1	1
Other business units	21	1
Corporate functions and Group activities	31	33
Eliminations	(15)	1
Total losses on disposal of fixed assets and operations	74	152

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	2004	2005
	(NOK in millions)	
Expenses for workforce reductions and onerous (loss) contracts		
Telenor Mobil Norway	24	(2)
Sonofon Denmark	28	12
Pannon GSM Hungary	16	10
Other mobile operations	562	414
Fixed	86	159
Broadcast	5	
EDB Business Partner	33	18
Other business units	28	15
Corporate functions and Group activities	116	29
Eliminations	(562)	(245)
Total workforce reductions and onerous (loss) contracts	336	410
Total other (income) and expenses	(152)	242

Gains on disposals in 2005 were primarily due to the sale of properties, as well as some businesses.

Gains on disposals in 2004 were primarily the sale of parts of the Telecom business of EDB Business Partner ASA and the sale of the subsidiaries Venture III AS, Securinet AS and Transacty AS.

Losses on disposal in 2005 were primarily related to disposal of properties and equipment and Fixed Czech and Slovakia.

Expenses for workforce reduction and onerous (loss) contracts in 2005 were primarily related to the Mobile Virtual Network Operator (MVNO) contract in Sweden and expenses for workforce reductions in Fixed. Expenses in 2004 were primarily workforce reductions related to the IT operations, Fixed and the Nordic mobile operations. In 2004, Telenor Mobile Sweden estimated a loss of NOK 562 million on the MVNO-contract in Sweden due to reduced expectations of the future earnings potential. The loss was estimated as the difference between expected future economic benefits and unavoidable costs in the contract. In 2005, the estimated loss under the MVNO contract for Mobile Sweden was increased by NOK 239 million. These losses were eliminated in the Group accounts in the tables above. See note 12 to our consolidated financial statements for a further discussion. In addition, at the beginning of 2006, Mobile Sweden will transfer its traffic to Vodafone Sweden's network due to the acquisition of this company. As a consequence, we do not expect to utilize the MVNO agreement in Sweden. However, as we are required to make minimum variable payments under the contract, we recorded an additional loss of NOK 175 million as of December 31, 2005 which impacts the Group accounts. This loss is the net present value of payments up to and including the first quarter of 2008.

Depreciation, Amortization and Write-downs

	2004	2005
	(NOK in millions)	
Depreciation of property, plant and equipment	7,737	8,059
Amortization of intangible assets (excluding goodwill)	2,900	3,411
Amortization of prepaid leases		74
Total depreciation and amortization	10,637	11,544

Write-downs of property, plant and equipment	282	488
Write-downs of goodwill	3,129	46
Write-downs of intangible assets (excluding goodwill)	120	53
Total write-downs	3,531	587
Total depreciation, amortization and write-downs	14,168	12,131

Table of Contents**Specification of depreciation of property, plant and equipment and amortization of intangible assets (excluding goodwill) in 2004 and 2005:**

	2004		2005		
	Property, plant and equipment	Intangible assets	Property, plant and equipment	Intangible assets	Prepaid leases
(NOK in millions)					
Telenor Mobil Norway	781	282	661	228	
Sonofon Denmark	340	850	416	869	
Kyivstar Ukraine	301	255	869	340	
Pannon GSM Hungary	689	605	594	577	
DiGi.Com Malaysia	779	123	912	127	
GrameenPhone Bangladesh	205	11	410	29	
Other mobile operations	32	83	213	398	
Fixed	3,173	399	2,689	494	54
Broadcast	605	99	486	68	
Other operations	832	193	833	277	
Total	7,737	2,900	8,083	3,407	54

Specification of write-downs of property, plant and equipment, goodwill and other intangible assets in 2004 and 2005:

	2004			2005		
	Property, plant and equipment	Goodwill	Other intangible assets	Property, plant and equipment	Goodwill	Other intangible assets
(NOK in millions)						
Telenor Mobil Norway	5		9	14	2	
Sonofon Denmark	208	3,074	8			
Kyivstar Ukraine				15		
Pannon GSM Hungary	21			6		1
DiGi.Com Malaysia				5		
GrameenPhone Bangladesh	2					
Other mobile operations	15		61			
Fixed	13	27		571	(36)	52
Broadcast	13	25	7	(128)	75	
Other operations	5	3	35	5	5	
Total	282	3,129	120	488	46	53

In general, depreciation and amortization was affected by changes in exchange rates and investment levels in the previous years. The increase in total depreciation and amortization was primarily due to acquired businesses and increased capital expenditure, partially offset by fully depreciated assets.

Estimated useful lives of property, plant and equipment and other intangible assets are reviewed annually to insure consistency with the expected economic recovery period for these assets based on current facts and circumstances. As of January 1, 2005, some changes were made in estimated useful lives, especially for some components in the different networks of our operations. Various components of the networks were affected, including switches, radio and transmission equipment in the mobile operations, masts, towers and network buildings in the mobile, fixed and broadcast operations, fibre cables in the fixed transportation network and digital transmission equipment for ADSL in Norway. As of January 1, 2005, the estimated useful lives for some of these assets were increased and others were decreased. The reasons for increasing useful lives were primarily based on recent experience that some assets are now being utilized over a longer economic life than previously expected because they are not as affected by changes in technological developments as previously

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expected and because we now expect a slower pace of changes in the network than in previous years. On the other hand, we decreased the expected useful lives for some assets, primarily due to a higher pace of replacements than previously expected, due to company or asset specific reasons.

The change in useful lives as of January 1, 2005 is estimated to have increased depreciation and amortization by approximately NOK 270 million in 2005, of which the highest impact was for Kyivstar.

The write-downs of property, plant and equipment and intangible assets in 2005 were primarily related to Fixed Sweden to its estimated recoverable amount. The write-down was due to loss of increased competition and a general shift in product demand to lower priced products. The assessment of the fair value was based on various valuation methods, with assistance of an external valuation expert. In 2005, Broadcast reversed a previous write-down of satellites by NOK 133 million. The write-downs of goodwill in 2005 was primarily due to previously not recognized deferred tax assets at acquisition of companies, partially offset by the excess of fair value of net assets over the cost of a business combination that was recognized immediately to income.

As of December 31, 2004, we wrote down goodwill in Sonofon by NOK 3,074 million. In 2004, the Danish market was characterized by intense competition and price reductions. Our assessment of the write-down of goodwill in Sonofon was due to Sonofon's slower than expected growth and a review of our expectations of the company's growth potential as of year-end 2004. The assessment of the fair value was based on various valuation methods, with assistance of external valuation experts. The valuation was based on discounted cash flow analysis, calculation of value based on multiples for peers in the mobile industry and comparison with external valuation reports. In addition, we made a write-down equipment by NOK 215 million related to our transmission network in Sonofon, based on expected cash flows. We also made write-downs of NOK 75 million in 2004, of which NOK 61 million was intangible assets, as a consequence of the reduced expectations for our mobile business in Sweden. If, among other things, market values decline and market conditions deteriorate, we may have to continue to perform impairment tests, as well as the annual impairment test of goodwill. You should read "Critical Accounting Estimates under IFRS" in this Item 5 for additional information on our impairment tests and "Other Information" in this Item 5 for additional information on the differences between US GAAP and IFRS.

Operating Profit and EBITDA

Our operating profit in 2004 and 2005 was affected by gains and losses on sales of fixed assets and operations, expenses for workforce reductions and onerous (loss) contracts as well as write-downs, as illustrated below.

	2004	2005
	(NOK in millions)	
Operating profit	7,367	11,705
Of which:		
Gains on disposal of fixed assets and operations(1)	562	320
Losses on disposal of fixed assets and operations(1)	(74)	(152)
Expenses for workforce reductions and onerous (loss) contracts(1)	(336)	(410)
Write-downs(2)	(3,531)	(587)
Total gains, losses, expenses for workforce reductions and onerous (loss) contracts and write-downs	(3,379)	(829)

(1) For a discussion of our gains and losses on disposal of fixed assets and operations and expenses for workforce reductions and onerous (loss) contracts, you should read "Other (income) and expenses" .

(2) For a discussion of our write-downs, you should read "Depreciation, amortization and write-downs" .

Our operating profit in 2005 was affected by gains and losses, expenses for workforce reductions, loss contracts, and write-downs compared to 2004. We discuss these items above under Other (income) and expenses and Depreciation, amortization and write-downs . Adjusted for these items, all of our

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operations except Fixed and our greenfield operation in Pakistan increased operating profit in 2005 compared to 2004, primarily due to a growth in revenues. The consolidation of acquired companies also contributed to the increase.

We also focus on operating profit (loss) before the effects of amortization, depreciation and write-downs. We refer to this measure as EBITDA because, under IFRS, operating profit is reported in our consolidated income statement before taxes and net financial items. In addition, operating profit includes amounts attributable to minority interests but does not include results from associated companies or joint ventures which are accounted for using the equity method and included in net income. We believe that providing EBITDA enhances an understanding of our operating activities and the performance of the individual units because it provides investors with a measure of operating results that is unaffected by amortization and depreciation related to acquisitions and capital expenditures, differences in capital structures, e.g. book value of property, plant and equipment and intangible assets, among otherwise comparable companies or investments in and results from associated companies. We believe that EBITDA is also an indicator to demonstrate to what extent operational business activities generate earnings which are available to reduce net debt or to finance investments.

EBITDA is not a measurement of financial performance either under IFRS or under US GAAP. You should not consider EBITDA as an alternative to operating profit, net income or cash flow from operating activities. Since other companies may not calculate EBITDA in the same way, our EBITDA figures are not necessarily comparable with similarly titled figures of other companies.

The following table shows the reconciliation of EBITDA to profit from total operations.

	2004	2005
	(NOK in millions)	
Profit from total operations	7,413	9,134
Profit (loss) from discontinued operations		(4)
Profit from continuing operations	7,413	9,138
Taxes	(2,461)	(3,453)
Profit before taxes	9,874	12,591
Net financial items	1,521	(347)
Associated companies	986	1,233
Depreciation and amortization	10,637	11,544
Write-downs	3,531	587
EBITDA	21,535	23,836

Our EBITDA increased in 2005 compared to 2004 primarily due to the increase in revenues in our mobile operations and the positive effect of the consolidation of acquired companies.

Associated Companies

	2004	2005
	(NOK in millions)	
Telenor's share of(1):		
Profit after taxes	954	1,406
Write-down of Golden Telecom Inc.		(172)
Gains (losses) on disposal of ownership interests	32	(1)
Net result from associated companies	986	1,233

(1) For certain associated companies, financial statements as of the Group's balance sheet date are not available. In such instances, the most recent financial statements (as of a date not more than three months prior to the Group's balance sheet date) are used, and estimates for the last period are made based on publicly available information. Actual figures may deviate from the preliminary figures. The consolidated

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income statement contains only the line Net result from associated companies . Our share of the other items shown in the table is not specified in our consolidated financial statements, but this information is set forth in note 18 to our consolidated financial statements.

You should read note 18 to our consolidated financial statements for additional information on our associated companies.

The results from associated companies were influenced by our acquisitions, disposals and consolidation of subsidiaries in 2004 and 2005. Sonofon and ProMonte were consolidated as subsidiaries as of February 12, and August 12, 2004, respectively. As of October 26, 2005, DTAC (through our economic interest in UCOM) was consolidated as a subsidiary. In the beginning of 2006, we acquired a controlling ownership interest in Glocalnet. Please see Item 4: Information on the Company for more information regarding these transactions in 2005.

The increase in net profit after taxes from associated companies in 2005 compared to 2004 was primarily due to the growth in VimpelCom. This was partly offset by increased losses in Bravida ASA mainly due to the fact that Bravida ASA in 2004 recorded a gain on sale of parts of its businesses.

In 2005, we wrote down our carrying value of the listed company Golden Telecom Inc. to the quoted market price as of December 31, 2005.

Financial Income and Expenses

	2004	2005
	(NOK in millions)	
Interest income on liquid assets	383	287
Other financial income	113	160
Total financial income	496	447
Interest expenses on interest-bearing liabilities	(1,582)	(1,665)
Other financial expenses	(96)	(120)
Capitalized interest	117	146
Total financial expenses	(1,561)	(1,639)
Net foreign currency (loss)	(87)	84
Total change in fair value of financial instruments(1)		243
Gains on disposal of financial assets	2,652	521
Losses on disposal of financial assets	(17)	(2)
Write-downs and reversal of write-downs of financial assets(2)	38	(1)
Net gains (losses and write-downs) of financial assets	2,673	518
Net financial items	1,521	(347)

(1) As of January 1, 2005 Telenor implemented IAS 39, see note 37. The comparative figures for 2004 are not restated to the principles in IAS 39.

(2) As from January 1, 2005, impairment losses recognised in the income statement for an investment in an equity instrument classified as available for sale shall not be reversed through the income statement.

Borrowing costs included in the cost of qualifying assets (capitalized interest) during 2004 and 2005 arose in Norway on the general borrowing pool, and outside Norway, based on the relevant subsidiaries' borrowing costs. Wholly owned subsidiaries are financed by Telenor. See note 22 to our financial statements for more information about interest rates on external borrowings.

Change in fair value of financial instruments was primarily related to interest rate derivatives used for economic hedge of interest-bearing liabilities that do not fulfil the requirements for hedge accounting.

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Gains on disposal in 2005 were primarily gain on sale of Telenor's shares in Intelsat. Gains on disposal in 2004 were primarily the gain on sale of Telenor's remaining shareholding in Cosmote SA.

As of February 26, 2004, we sold our remaining shareholding in Cosmote for NOK 3.1 billion and we recorded a gain on sale of financial assets of approximately NOK 2.6 billion before taxes related to this transaction. In 2004, some write-downs, primarily in Venture-companies, were reversed due to increased market values. During the first quarter of 2006, we sold our remaining ownership interest in Inmarsat plc. with a gain on disposal of NOK 1.8 billion.

Income Taxes

The corporate income tax rate in Norway is 28.0%. The table below shows our effective tax rate (income taxes as a percentage of profit before taxes) reconciled to the Norwegian tax rate of 28.0% for the years ended December 31:

	2004	2005
	(NOK in millions)	
Expected income taxes according to corporate income tax rate in Norway (28%)	2,765	3,525
Tax rates outside Norway different from 28%	(34)	(81)
Associated companies	(267)	(350)
Net loss in subsidiaries outside Norway for which deferred tax assets have not been established	181	618
Previously not recognized tax income in business combinations	(30)	(162)
Non-taxable income	(102)	(128)
Non-deductible expenses	195	265
Write-downs of goodwill that are not tax deductible	842	12
Other deferred tax assets not recognized previously	(461)	(18)
Non-taxable gain on sale of shares	(152)	(30)
Changes in tax law - previously recognized tax assets not realized	257	
Deferred taxes on retained earnings in subsidiaries and associated companies	(375)	292
Other tax assets not recognized current year	39	16
Previously recognized tax assets - not realized or written-down (valuation allowance) current year	27	6
Conversion of inter-company debt		(249)
Liquidation of Dansk Mobil Holding AS	(438)	438
Sale of Telenor Business Solutions AS		(701)
Other	14	
Income tax expense (income)	2,461	3,453
Effective tax rate in %	24.9	27.4

You should read note 14 to our consolidated financial statements and Critical Accounting Estimates under IFRS Income Taxes for additional information about income taxes.

As of December 31, 2004 and 2005, we did not record the potential tax income related to the tax loss on the sale of shares in Sonofon Holding A/S in 2001 within the Telenor Group, or the RISK adjustment we have claimed on the tax base values of the shares in Cosmote in 2003 and 2004. In 2004, we recognized deferred tax assets related to the liquidation of Dansk Mobil Holding AS. During the regular tax assessment in 2005, the tax authorities disallowed this tax loss, and, in 2005, we expensed this potential tax income. The tax authorities have challenged the tax assessment for 2004 for Canal Digital Denmark, and we did not record a deferred tax asset related to a transaction where the previous tax losses were realized and a corresponding increased depreciable tax base in assets were established. You should read note 14 to our consolidated financial statements for additional information.

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In December 2004, the Norwegian Parliament enacted new tax rules. The principle change for corporations was the introduction of the Exemption Method . According to this new legislation, capital gains deriving from the sale of shares and dividends received will be tax exempt. However, any loss deriving from the sale or other disposal of shares will no longer be tax deductible. The new rules in respect of dividends received became effective as of January 1, 2004, while the new rules on capital gains and non deductibility of capital losses came into effect as of March 26, 2004. Certain transitional rules were enacted. One of these transitional rules provides for net losses from disposals to third parties or liquidation of shares, recognized in the period between March 26, 2004 and December 31, 2004 to be offset against otherwise taxable gains recognized on disposal of shares in the period between January 1, 2004 and March 26, 2004. However, as is generally the case, when new rules are introduced, there may be disagreements on the interpretation of the new rules and the transitional rules.

As a consequence of the Exemption Method , previously recognized deferred tax assets of NOK 0.3 billion were expensed. These deferred tax assets were primarily related to a future liquidation of subsidiaries of EDB Business Partner ASA, which had not been formally decided by the appropriate corporate body prior to March 26, 2004. However, Telenor benefited from net capital tax losses derived from disposals and liquidations of subsidiaries during the period between March 26, 2004 and December 31, 2004. According to the transitional rules, the net tax losses recognized, primarily from losses in subsidiaries or associated companies on which we previously had not recognized deferred tax assets, have been offset against the otherwise taxable gain deriving from our sale of shares in Cosmote prior to March 26, 2004.

As a consequence of the Exemption Method , we will no longer recognize deferred income tax in Norway on undistributed earnings in our foreign subsidiaries and associated companies except where we still are subject to foreign withholding tax at source that will be levied upon distribution of dividends. This change in tax legislation had a positive effect of approximately NOK 640 million on previously recognized deferred income tax on undistributed earnings in subsidiaries, of which NOK 500 million was related to Pannon GSM.

You should read Critical Accounting Estimates under IFRS Income Taxes and Item 8: Financial Information Legal Proceedings and note 14 to our consolidated financial statements for additional information.

Minority Interests

The following table shows the largest minority interests reported in our income statement and in the balance sheet for and as of the end of 2004 and 2005.

	Minority share in %	Minority part of net income 2005	Minority part of net income 2004	Minority Interests in the balance sheet 31.12.05	Minority Interests in the balance sheet 1.1.05	Minority Interests in the balance sheet 31.12.04
(NOK in millions)						
Kyvistar GSM JSC	43.5	827	588	2,348	1,255	1,255
DiGi.Com bhd	39.0	288	187	1,645	1,190	1,190
GrameenPhone Ltd.	38.0	219	410	648	528	528
DTAC/ UCOM	25.0/13.8	42		1,345		
EDB Business Partner ASA	48.2	89	111	856	788	788
Telenor Venture IV AS	49.0	5		155	60	52
Other		18	24	137	133	133
Total		1,488	1,320	7,134	3,954	3,946

(1) The change from January 1, 2004 to December 31, 2005 was due to the implementation of IAS 39.

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During the fourth quarter of 2005, we increased our economic stake in the previously associated company DTAC and UCOM. In the third quarter of 2005 we sold 29.0% of the shares in the subsidiary Telenor Venture IV AS. In the fourth quarter of 2004, Telenor increased its ownership interest in GrameenPhone. In April 2004, Telenor increased its ownership interest in Kyivstar. At the end of December 2004, Telenor sold 20.0% of the shares in the subsidiary Telenor Venture IV AS. See note 1 to our consolidated financial statements for further information.

RESULTS OF OPERATIONS

The following tables set forth selected financial data for our segments for 2004 and 2005. The eliminations reported in these tables are primarily related to intra group transactions and the MVNO agreements in Sweden and Norway.

	2004		2005	
	Total	Of Which External	Total	Of Which External
(NOK in millions)				
Revenues				
Telenor Mobil Norway	11,730	10,504	12,243	11,072
Sonofon Denmark	4,404	4,351	5,191	5,059
Kyivstar Ukraine	4,219	4,217	7,272	7,266
Pannon GSM Hungary	5,907	5,901	6,061	6,051
DiGi.Com Malaysia	3,946	3,943	4,932	4,928
GrameenPhone Bangladesh	2,186	2,186	2,970	2,969
Other mobile operations	423	335	2,219	2,076
Fixed	19,256	17,433	19,313	17,140
Broadcast	5,346	5,211	5,649	5,518
Other operations	9,540	6,611	9,967	7,060
Eliminations	(6,366)	(101)	(6,890)	(212)
Total revenues	60,591	60,591	68,927	68,927

	2004		2005	
	(NOK in millions)			
Operating profit (loss)				
Telenor Mobil Norway			3,228	3,566
Sonofon Denmark			(3,799)	(109)
Kyivstar Ukraine			2,026	2,826
Pannon GSM Hungary			777	1,007
DiGi.Com Malaysia			831	1,099
GrameenPhone Bangladesh			1,095	1,120
Other mobile operations			(903)	(954)
Fixed			2,725	2,062
Broadcast			750	1,015
Other operations			96	48
Eliminations			541	25

Total operating profit	7,367	11,705
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	2004	2005
EBITDA		
	(NOK in millions)	
Telenor Mobil Norway	4,305	4,471
Sonofon Denmark	681	1,176
Kyivstar Ukraine	2,581	4,050
Pannon GSM Hungary	2,093	2,185
DiGi.Com Malaysia	1,732	2,142
GrameenPhone Bangladesh	1,313	1,559
Other mobile operations	(712)	(343)
Fixed	6,338	5,885
Broadcast	1,498	1,516
Other operations	1,114	1,091
Eliminations	592	104
Total EBITDA(1)	21,535	23,836

(1) You should read Results of Operations Group Operating Profit and EBITDA for the reconciliation of EBITDA to profit from total operations for the group.

Table of Contents**Telenor Mobil Norway**

	2004	2005
	(NOK in millions)	
Subscription and traffic	7,879	8,148
Interconnection revenues	1,613	1,754
Mobile revenues from company s subscriptions	9,492	9,902
Other mobile revenues	1,513	1,825
Total mobile revenues	11,005	11,727
Non-mobile revenues	725	516
Total revenues(1)	11,730	12,243
External costs of materials and traffic charges	2,291	2,272
Internal costs of materials and traffic charges	868	961
Total costs of materials and traffic charges	3,159	3,233
Own work capitalized	(23)	(23)
Salaries and personnel costs	866	838
External other operating expenses	2,560	2,821
Internal other operating expenses	839	889
Other (income) and expenses	24	14
Total operating expenses	7,425	7,772
EBITDA(3)	4,305	4,471
Depreciation and amortization(2)	1,062	889
Write-downs	15	16
Operating profit	3,228	3,566
EBITDA/ Total revenues (%)	36.7	36.5
Operating profit/ Total revenues (%)	27.5	29.1
Capital expenditure	973	1,218
Investments in businesses	52	
No. of man-years (end of period)	1,413	1,378
No. of subscriptions (in thousands)	2,645	2,731

(1) Of which internal revenues 1,226 1,171

(2) Of which amortization of Telenor s net excess values 1 4

(3) You should read Results of Operations Group Operating Profit and EBITDA for a discussion of EBITDA and its importance to management as an indicator of performance for each of its operating segments.

Operating profit and EBITDA Telenor Mobil Norway

Operating profit in 2005 increased by 10.4% compared to 2004 as increases in subscription and traffic, interconnection and other mobil revenues more than offset the increase in operating expenses. The operating profit also increased in 2005 as depreciation, amortization and write-downs of property, plant and equipment and intangible assets decreased partially due to an extension of the estimated useful life of certain assets, effective January 1, 2005, from approximately seven years to approximately ten years. Based upon past years experience, the physical lifetime for these assets are longer than first thought. EBITDA increased in 2005 compared to 2004, whereas the EBITDA margin was broadly stable.

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Revenues Telenor Mobil Norway

Our estimated market share for GSM subscriptions as of December 31, 2005 was 56% and in line with December 31, 2004. The average revenue per user declined as price reductions more than offset the increase in average usage per subscription.

In 2005, revenues from subscription and traffic increased compared to 2004 due to an increased number of subscribers, an increased volume of SMS messages per user and decreases in free airtime to customers. The increase in revenues was partly offset by price reductions.

Interconnection revenues increased in 2005 compared to 2004 due primarily to an increase in traffic volume from subscribers of other mobile operators.

Other mobile revenues increased in 2005 due to increased revenues from the sale of capacity on a wholesale basis to MVNOs and service providers.

Non mobile revenues decreased in 2005 due to a reduction of sales of handsets and computer equipment through our own chain of stores.

Operating expenses Telenor Mobil Norway

Increased operating expenses in 2005 compared to 2004 were primarily due to the increase in other external operating expenses, particularly costs related to sales commissions and internal business administration costs, and increased internal costs of materials and traffic charges.

Internal costs of materials and traffic charges in 2005 increased compared to 2004 due primarily to the increase in outgoing traffic terminating within internal companies.

Salaries and personnel costs decreased in 2005 compared to 2004 due to full-year effect of the decrease in the number of employees that occurred in 2004 as part of our cost reduction measures.

Other operating expenses increased in 2005 compared to 2004 due primarily to increased sales commissions and the increased allocation of corporate headquarter costs to us. The increase in sales commissions was due primarily to higher sales and higher acquisition costs per new customer from increased competition. Costs related to support and maintenance agreements decreased due to the termination of IT service agreements which allowed for a lower cost base for these areas of the business.

Depreciation and amortization decreased in 2005 compared to 2004. The change in useful lives as of January 1, 2005 is estimated to have decreased depreciation and amortization by approximately NOK 70 million in 2005 compared to 2004. For more information, please read note 15 to our consolidated financial statements.

Capital expenditure Telenor Mobil Norway

Capital expenditure in 2005 was higher in 2005 compared to 2004 due primarily to the renewal of a GSM 900 licence (NOK 186 million) until December 31, 2017. In addition we increased capital expenditure related to roll out of UMTS-sites to meet license coverage requirements.

Table of Contents**Sonofon Denmark**

	2004	2005
	(NOK in millions)	
Subscription and traffic	1,813	2,361
Interconnection revenues	986	1,300
Mobile revenues from company s subscriptions	2,799	3,661
Other mobile revenues	571	638
Total mobile revenues	3,370	4,299
Non-mobile revenues	1,034	892
Total revenues(1)	4,404	5,191
External costs of materials and traffic charges	2,095	2,294
Internal costs of materials and traffic charges	34	101
Total costs of materials and traffic charges	2,129	2,395
Own work capitalized	(30)	(21)
Salaries and personnel costs	589	581
External other operating expenses	1,005	966
Internal other operating expenses	2	83
Gains on disposal of fixed assets and operations		(1)
Losses on disposal of fixed assets and operations		
Expenses for workforce reductions and loss contracts	28	12
Total operating expenses	3,723	4,015
EBITDA(4)	681	1,176
Depreciation and amortization(2)	1,190	1,285
Write-downs(3)	3,290	
Operating loss	(3,799)	(109)
EBITDA/ Total revenues (%)	15.5	22.7
Operating profit/ Total revenues (%)	nm	nm
Capital expenditure	388	1,062
Investments in businesses	3,786	4
No. of man-years (end of period)	1,343	1,206
No. of subscriptions (in thousands)	1,275	1,284
(1) Of which internal revenues	53	132
(2) Of which amortization of Telenor s net excess values	551	555
(3) Of which write-downs of Telenor s net excess values	3,074	

(4) You should read Results of Operations Group Operating Profit and EBITDA for a discussion of EBITDA and its importance to management as an indicator of performance for each of its operating segments.

The preceding table shows figures included in the accounts for Telenor from February 12, 2004. We consolidated Sonofon as a subsidiary effective February 12, 2004, when we increased our ownership interest in the company from 53.5% to 100%. The following discussion and analysis of Sonofon's results of operations is based on Sonofon's financial statements for the years ended December 31, 2004 and December 31, 2005, as prepared by Sonofon, which we have adjusted to conform materially with IFRS. We believe that such information provides a more useful measure of comparative financial performance for a period when we had not yet consolidated Sonofon. However, such information does not purport to represent

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what the actual results of operations would have been had Sonofon been consolidated from January 1, 2004 and is not necessarily indicative of our future operating results.

Operating loss and EBITDA Sonofon

EBITDA increased in 2005 compared to 2004 due to higher mobile related revenue and lower costs of customer acquisition. Operating loss decreased as Sonofon's results in 2004 were impacted by a write-down of NOK 3.43 billion, of which NOK 3.1 billion was goodwill. Depreciation and amortization expenses have increased in 2005 compared to 2004 due to a change in the estimated useful life of certain radio equipment. The change in useful lives as of January 1, 2005 is estimated to have increased depreciation and amortization by approximately NOK 60 million in 2005 compared to 2004. For more information, please see note 15 to our consolidated financial statements.

Revenues Sonofon

Total revenues for 2005 increased compared to 2004 due to higher mobile revenues from the company's subscriptions. The increase in subscriptions was due to increased traffic combined with less aggressive price reductions compared to prior years. Flat rate product and package solutions have pushed this development leading to both higher AMPU and higher ARPU. Increased ARPU was also due to an improvement of the customer mix from prepaid subscribers to more profitable contract, or postpaid, subscribers. The change in the customer mix was partly due to our focused efforts to reduce churn in this segment.

Interconnection revenues also increased due to the higher outgoing minutes per user to other networks and the general increase in subscriptions and traffic discussed above.

Non mobile revenue decreased from 2004 to 2005 due to lower sale of handsets in Sonofon owned shops.

Sonofon's market share of GSM subscriptions at December 31, 2005 was estimated to be 26.6%. The estimated mobile penetration in Denmark at December 31, 2005 was 89%. In 2004, estimated market share was 26.9% and the mobile penetration was 88%.

Operating expenses Sonofon

The increase in operating expenses was primarily due to increases in the cost of materials and traffic charges. These charges increased due to higher traffic volume, also resulting in higher interconnection costs. The increase in operating expenses was partially offset by lower commission costs resulting from decreased sales of handsets.

Internal other operating expenses increased primarily because of the increased outsourcing of certain operational and head office functions to the other companies within the Telenor Group. Salaries and personnel costs decreased compared to 2004 due to workforce reductions instituted in late 2004 and the increased outsourcing.

Capital expenditure Sonofon

Capital expenditures increased in 2005 due to our investment in a UMTS license in Denmark (NOK 520 million) and increased expenditures on improving network capacity and coverage.

Table of Contents**Kyivstar Ukraine**

	2004	2005
	(NOK in millions)	
Subscription and traffic	2,961	5,122
Interconnection revenues	1,068	1,888
Mobile revenues from company s subscriptions	4,029	7,010
Other mobile revenues	122	158
Total mobile revenues	4,151	7,168
Non-mobile revenues	68	104
Total revenues(1)	4,219	7,272
External costs of materials and traffic charges	646	1,075
Internal costs of materials and traffic charges	5	6
Total costs of materials and traffic charges	651	1,081
Own work capitalized		(9)
Salaries and personnel costs	183	395
External other operating expenses	793	1,737
Internal other operating expenses	11	18
Other (income) and expenses		
Total operating expenses	1,638	3,222
EBITDA(3)	2,581	4,050
Depreciation and amortization(2)	555	1,209
Write-downs		15
Operating profit	2,026	2,826
EBITDA/ Total revenues (%)	61.2	55.7
Operating profit/ Total revenues (%)	48.0	38.9
Capital expenditure	2,608	3,650
Investments in businesses	35	
No. of man-years (end of period)	1,880	2,685
No. of subscriptions (in thousands)	6,252	13,925

(1) Of which internal revenues

2 6

(2) Of which amortization of Telenor s net excess values

93 93

(3) You should read Results of Operations Group Operating Profit and EBITDA for a discussion of EBITDA and its importance to management as an indicator of performance for each of our operating segments.

The functional currency for Kyivstar is the Ukrainian Hryvnia. Until May 1, 2004, the US Dollar was the functional currency for Kyivstar. Effective as of May 1, 2004, when the company changed its nominal prices from US Dollar to local currency, the Ukrainian Hryvnia (UAH) was adopted as the functional currency. The Norwegian Krone was stable against the Ukrainian Hryvnia in 2005 compared to 2004. The change in functional currency had no material effect on our results in 2004.

Operating profit and EBITDA Kyivstar

Operating profit increased by 39% measured in Norwegian Krone and by 38% measured in local currency in 2005 compared to 2004. EBITDA increased by 57% measured in Norwegian Krone and in local currency in 2005 compared to 2004. The increase was due to increased revenues, which more than offset the

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increase in operating expenses. However, the EBITDA margin decreased due to the increase in costs being proportionally higher than the increase in revenues.

Revenues Kyivstar

In 2005, we had a 73% increase in revenues measured in Norwegian Krone and in local currency compared to 2004. The increase in subscription and traffic revenues was due primarily to increased traffic resulting from an increase of 7,673,000 in the number of subscriptions and increased usage per subscription. The increase in interconnection revenues was primarily due to the increased subscriber base causing increased incoming traffic from other operators. The increase in other mobile revenue was primarily due to increased incoming roaming revenue.

On average each subscription generated marginally less revenue as the customer base consisted of proportionally more prepaid subscribers than in the previous year. In addition, we offered several promotional campaigns during the year, which has led to a reduction of the average price per minute for customers.

Kyivstar's market share of GSM subscriptions in the Ukraine at December 31, 2005 was estimated to be 46% compared to 45% at December 31, 2004. During 2005, the estimated mobile penetration in the Ukraine increased from 29% to 64%.

Operating expenses Kyivstar

Operating expenses increased in 2005 due primarily to an increase in external other operating expenses and the external costs of materials and traffic charges and depreciation and amortization.

External other operating expenses increased due to sales and advertising costs and commission expenses from increased competition in the market and an increase in subscriptions. External other operating expenses also increased due to higher operation and maintenance costs as the increase in subscriptions placed greater demands on our existing network capacity and coverage.

Costs of materials and traffic charges increased significantly as a result of higher traffic volume from both existing and new subscriptions. The number of man-years increased in 2005, thus leading to an increase in salaries and personnel costs. Depreciation and amortization increased due to higher capital expenditures and a reduction in the estimated useful life of certain assets from January 1, 2005. The change is estimated to have increased depreciation and amortization by approximately NOK 300 million in 2005 compared to 2004. For more information, please see note 15 to our consolidated financial statements.

Capital expenditure Kyivstar

Capital expenditure increased in 2005 compared to 2004 as the higher subscription growth rates led to increased investments in network coverage and capacity.

Table of Contents**Pannon GSM Hungary**

	2004	2005
	(NOK in millions)	
Subscription and traffic	3,669	3,768
Interconnection revenues	1,731	1,735
Mobile revenues from company s subscriptions	5,400	5,503
Other mobile revenues	142	144
Total mobile revenues	5,542	5,647
Non-mobile revenues	365	414
Total revenues(1)	5,907	6,061
External costs of materials and traffic charges	2,243	2,256
Internal costs of materials and traffic charges	5	7
Total costs of materials and traffic charges	2,248	2,263
Own work capitalized		
Salaries and personnel costs	378	373
Other (income) and expenses	1,152	1,184
Internal other operating expenses	22	37
Other (income) and expenses	14	19
Total operating expenses	3,814	3,876
EBITDA(3)	2,093	2,185
Depreciation and amortization(2)	1,295	1,171
Write-downs	21	7
Operating profit	777	1,007
EBITDA/ Total revenues (%)	35.4	36.1
Operating profit/ Total revenues (%)	13.2	16.6
Capital expenditure	1,166	763
No. of man-years (end of period)	1,384	1,319
No. of subscriptions (in thousands)	2,770	2,929

(1) Of which internal revenues 6 10

(2) Of which amortization of Telenor s net excess values 358 345

(3) You should read Results of Operations Group Operating Profit and EBITDA for a discussion of EBITDA and its importance to management as an indicator of performance for each of our operating segments.

The Norwegian Krone appreciated against the Hungarian Forint by 3% in 2005 compared to 2004.

Operating profit and EBITDA Pannon GSM

Operating profit and EBITDA increased in 2005 compared to 2004 due to higher traffic as a result of a 15% increase in average usage per subscription, which was driven by an increase in postpaid subscriptions and substantial promotional price reductions. The operating profit margin (operating profit as a percentage of total revenues) increased due to increased EBITDA and reduced depreciation and amortization. The EBITDA margin increased slightly in 2005 due to increased revenues, which more than offset increased operating expenses.

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Revenues Pannon GSM

In 2005, Pannon GSM had a 2.6% increase in revenues compared to 2004 (6.2% if measured in local currency) with an increase in subscriptions during 2005 of 159,000. The growth in revenues was primarily due to the increase in subscriptions and increased traffic resulting from an increase in average usage per subscription in 2005. Usage and revenues also increased due to the increased number of contract subscriptions as a proportion of the overall subscription base. The average revenue generated per subscriber remained stable when measured in local currency.

Pannon GSM's market share of GSM subscriptions in Hungary at December 31, 2005 was 34%, in line with the 2004 market share. At December 31, 2005, the mobile penetration in Hungary increased to 87% compared to 80% at December 31, 2004.

Operating expenses Pannon GSM

Operating expenses increased in 2005 compared to 2004 when measured in local currency primarily due to increased costs of materials and traffic charges as a result of increased traffic terminating in other operators' networks. Other operating expenses increased in 2005 compared to 2004 as a result of the increased number of unpaid customer debts from contract subscriptions that were recorded as losses. The decrease in universal service contributions was off-set by increased license fees due to a higher number of sites and roll-out of the UMTS network. Depreciation and amortization decreased in 2005 compared to 2004 as a result of a certain fixed assets being fully depreciated and due to an extension of the estimated useful life of certain assets as of January 1, 2005. The change in useful lives is estimated to have decreased depreciation and amortization by approximately NOK 40 million in 2005 compared to 2004. For more information, please see note 15 to our consolidated financial statements.

Capital expenditure Pannon GSM

Capital expenditure decreased by NOK 403 million in 2005 compared to 2004, mainly due to our non-recurring NOK 585 million investment in a UMTS license in December 2004.

Table of Contents**DiGi.Com Malaysia**

	2004	2005
	(NOK in millions)	
Subscription and traffic	2,794	3,949
Interconnection revenues	571	594
Mobile revenues from company s subscriptions	3,365	4,543
Other mobile revenues	65	65
Total mobile revenues	3,430	4,608
Non-mobile revenues	516	324
Total revenues(1)	3,946	4,932
External costs of materials and traffic charges	898	1,118
Internal costs of materials and traffic charges	2	6
Total costs of materials and traffic charges	900	1,124
Own work capitalized	(6)	(8)
Salaries and personnel costs	212	245
External other operating expenses	1,095	1,410
Internal other operating expenses	13	14
Other (income) and expenses		5
Total operating expenses	2,214	2,790
EBITDA	1,732	2,142
Depreciation and amortization(2)	901	1,038
Write-downs		5
Operating profit	831	1,099
EBITDA/ Total revenues (%)	43.9	43.4
Operating profit/ Total revenues (%)	21.1	22.3
Capital expenditure	920	1,170
No. of man-years (end of period)	1,549	1,603
No. of subscriptions (in thousands)	3,239	4,795

(1) Of which internal revenues

3 4

(2) Of which amortization of Telenor s net excess values

72 51

(3) You should read Results of Operations Group Operating Profit and EBITDA for a discussion of EBITDA and its importance to management as an indicator of performance for each of our operating segments.

The Norwegian Krone appreciated 4% against the Malaysian Ringgit (MYR) in 2005 compared to 2004.

Operating profit and EBITDA DiGi.Com

Operating profit and EBITDA measured in NOK and in local currency increased in 2005 compared to 2004 due to the increase in revenues, which more than offset the increase in operating expenses. Depreciation and amortization increased due to a larger capitalized asset base and revisions in the estimated useful life for certain categories of fixed assets such as telecommunications equipment and computer systems with effect from January 1, 2005. The change in useful lives as of January 1, 2005 is estimated to have increased depreciation and amortization by approximately NOK 140 million in 2005. For more information, please see note 15 to our consolidated financial statements.

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The EBITDA margin and the operating profit margin were broadly stable.

Revenues DiGi.Com

In 2005, DiGi.Com had a 25% increase in revenues measured in NOK compared to 2004. Measured in local currency, the increase was 30%. The increase in revenues was primarily driven by higher traffic volumes and a 48% increase of 1.55 million in the number of subscriptions in 2005. However, interconnection revenues did not increase proportionately due to price campaigns to promote traffic within our own network. On average each subscription generated less revenue as more pressure on pricing and tariff strategy to maintain competitiveness in the market. However, non-voice revenues increased considerably and represented 16.7% of mobile revenues in 2005 compared to 14.6% in 2004. This continued to be driven by increased SMS volumes. Non-mobile revenues, mainly from DiGi.Com's wholesale business, decreased in 2005 compared to 2004 due to decreased volumes and prices.

DiGi.Com's market share of GSM subscriptions in Malaysia at December 31, 2005 was estimated to be 25% compared to 22% at December 31, 2004. During 2005, the mobile penetration in Malaysia increased from 57% to an estimated 73%.

Operating expenses DiGi.Com

Operating expenses increased in 2005 compared to 2004 due primarily to an increase in other operating expenses and in costs of materials and traffic charges. Other operating expenses, consisting of commissions and advertising expenses, have increased due to more aggressive promotional and marketing activities while Universal Service Provision (USP) contributions increased as a result of higher revenues. The increase in costs of materials and traffic charges resulted from the higher traffic volumes generated by the higher number of subscriptions.

The increase in depreciation and amortization was mainly due to a larger capitalized asset base as well as the revisions to the estimated useful life for certain categories of fixed assets as discussed under Operating profit and EBITDA, which has resulted in one-time adjustments.

Capital expenditure DiGi.Com

Capital expenditure increased by NOK 250 million (MYR 164 million if measured in local currency) in 2005 compared to 2004 due to extensive coverage expansion and increased capacity in response to the strong subscriber growth.

Table of Contents**GrameenPhone Bangladesh**

	2004	2005
	(NOK in millions)	
Subscription and traffic	2,064	2,741
Interconnection revenues	90	188
Mobile revenues from company s subscriptions	2,154	2,929
Other mobile revenues	24	22
Total mobile revenues	2,178	2,951
Non-mobile revenues	8	19
Total revenues(1)	2,186	2,970
External costs of materials and traffic charges	245	390
Internal costs of materials and traffic charges		
Total costs of materials and traffic charges	245	390
Own work capitalized		
Salaries and personnel costs	75	96
External other operating expenses	523	896
Internal other operating expenses	22	19
Other (income) and expenses	8	10
Total operating expenses	873	1,411
EBITDA(2)	1,313	1,559
Depreciation and amortization	215	439
Write-downs	3	
Operating profit	1,095	1,120
EBITDA/ Total revenues (%)	60.1	52.5
Operating profit/ Total revenues (%)	50.1	37.7
Capital expenditure	1,318	2,596
Investments in businesses	298	
No. of man-years (end of period)	1,147	2,731
No. of subscriptions (in thousands)	2,388	5,542

(1) Of which internal revenues

1

(2) You should read Results of Operations Group Operating Profit and EBITDA for a discussion of EBITDA and its importance to management as an indicator of performance for each of our operating segments.

Compared to 2004, the Norwegian Krone appreciated against the Bangladeshi Taka by 11% in 2005.

Operating profit and EBITDA GrameenPhone

Operating profit and EBITDA increased in 2005 compared to 2004 due to higher traffic as a result of the increase in the number of subscriptions, which more than offset the increase in operating expenses. The decrease in the EBITDA margin was primarily due to increased sales and acquisition costs as a result of the strong subscription growth, as well as price reductions in an increasingly competitive market. Depreciation and amortization increased in 2005 compared to 2004 as a result of increased capital expenditure.

Table of Contents**Revenues GrameenPhone**

Measured in Norwegian Krone, mobile revenues increased by 36% compared to 2004, while the increase in local currency was 53%. The growth in revenues was due to increased traffic resulting from an increase of 3,154,000 subscriptions. However, each new subscription generated on average less revenue than existing subscriptions. Prepaid subscriptions, which represent the main growth segment, generated less traffic and revenue. These developments resulted in a decline in average revenue per subscription.

The increase in interconnection revenues was primarily due to the overall growth in the number of subscriptions in the market.

GrameenPhone's estimated market share in Bangladesh at December 31, 2005 was 62%, which was unchanged from December 31, 2004. During 2005, the estimated mobile penetration in Bangladesh increased to 6.2% from 2.8% at the end of 2004.

Operating expenses GrameenPhone

Operating expenses increased in 2005 compared to 2004 due to primarily the increased number of subscriptions and due to other operating expenses such as increased subsidies. In 2005, GrameenPhone partially subsidized royalty and license fees (GRLF) as well as a SIM-tax per new subscription.

Costs of materials and traffic charges increased less than revenues. Advertising costs and commissions increased as a result of the increase in competition and the high number of sales. Salaries and personnel costs, as well as operation and maintenance costs, increased due to the enlarged operation. Depreciation and amortization increased as a result of increased capital expenditure.

Interconnection cost increased primarily due to increased number of the competitors' subscriptions.

Capital expenditure GrameenPhone

Increased capital expenditure was due to the extension of mobile coverage in new regions, and increased mobile network capacity due to strong subscription growth, and a financial lease associated with a fiber optic network.

Other Mobile Operations

	2004	2005
	(NOK in millions)	
Revenues		
DTAC Thailand		1,191
Telenor Pakistan		265
ProMonte GSM Montenegro	200	519
Telenor Mobile Sweden	223	244
Total revenues(1)	423	2,219
Operating expenses		
DTAC Thailand		746
Telenor Pakistan	78	837
ProMonte GSM Montenegro	109	259
Telenor Mobile Sweden	948	720
Total operating expenses	1,135	2,562

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	2004	2005
	(NOK in millions)	
EBITDA(3)		
DTAC Thailand		445
Telenor Pakistan	(78)	(572)
ProMonte GSM Montenegro	91	260
Telenor Mobile Sweden	(725)	(476)
Total EBITDA(3)	(712)	(343)
Depreciation and amortization(2)	116	611
Write-downs	75	
Operating profit	(903)	(954)
Of which:		
DTAC Thailand		225
Telenor Pakistan	(78)	(798)
ProMonte GSM Montenegro	24	95
Telenor Mobile Sweden	(849)	(476)
Capital expenditure		
DTAC Thailand		146
Telenor Pakistan	1,993	1,843
ProMonte GSM Montenegro	16	38
Telenor Mobile Sweden	17	
Total capital expenditure	2,026	2,027
Investments in businesses	541	2,664
No. of subscriptions (in thousands)		
DTAC Thailand		8,677
Telenor Pakistan		1,868
ProMonte GSM	279	310
Telenor Mobile Sweden	105	95
No. of man-years (end of period)		
DTAC Thailand		3,706
Telenor Pakistan	222	914
ProMonte GSM	224	215
Telenor Mobile Sweden	16	13

(1) Of which internal revenues 88 143

- | | | |
|--|----|-----|
| (2) Of which amortization of Telenor's net excess values | 32 | 115 |
| (3) You should read Results of Operations Group Operating Profit and EBITDA for a discussion of EBITDA and its importance to management as an indicator of performance for each of our operating segments. | | |

DTAC Thailand

In 2005, we increased our economic stake in DTAC from 40.3% to 69.3% and consolidated DTAC as a subsidiary effective October 26, 2005. The above table shows figures included in the accounts of Telenor from the date of acquisition. In the following discussion and analysis of DTAC's results of operations, the comments, when referring to 2004 and 2005, are based on DTAC's financial statements for the years ended

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December 31, 2004 and December 31, 2005, as prepared by DTAC, which we have adjusted to conform materially with IFRS. We believe that such information provides a more useful measure of comparative financial performance for a period when we had not yet consolidated DTAC. However, such information does not purport to represent what the actual results of operations would have been had DTAC been consolidated from January 1, 2004 and is not necessarily indicative of our future operating results.

Operating profit and EBITDA DTAC

Operating profit and EBITDA increased in 2005 compared to 2004 due to growth in revenues, which offset the increase in operating expenses.

Revenues DTAC

In 2005, revenues increased compared to 2004 measured in local currency primarily driven by a significant increase in the total minutes of use in the network as a result of heavy price cuts and increases in the number of subscriptions. The number of subscriptions increased by 11% in 2005 from 2004.

DTAC's market share of GSM subscriptions at December 31, 2005 was estimated to be 28% compared to 29% at December 31, 2004. The slight loss was influenced by a change in churn policy during 2005 and the subsequent write off of 182,000 inactive prepaid subscriptions.

Operating expenses DTAC

Operating expenses increased in 2005 compared to 2004, primarily due higher regulatory costs. DTAC's regulatory costs consist of access charge, revenue share and excise taxes. The increase in operating expenses was also due to the higher proportion of average prepaid revenues compared to postpaid revenues per user.

Capital expenditure DTAC

Capital expenditure increased in 2005 compared to 2004 due to the increased traffic volumes and increases in network capacity.

Telenor Pakistan

The Norwegian Krone appreciated against the Pakistani Rupee by 6% in 2005 compared to 2004.

Telenor Pakistan launched its commercial operations on March 15, 2005 after acquiring a GSM license to build and operate a mobile network in Pakistan in April 2004. Telenor Pakistan's estimated market share was approximately 9% at the end of 2005.

Operating loss and EBITDA loss Telenor Pakistan

Telenor Pakistan incurred an operating loss and EBITDA loss in 2005 primarily due to the costs associated with launching operations, which were greater than the initial influx of mobile revenues. The operating loss and EBITDA loss for 2005 is not comparable to the preceding year because of the launch of commercial operations in March 2005.

Revenues Telenor Pakistan

Total mobile revenues for 2005 amounted to NOK 260 million. The revenue was due to voice traffic from the approximately 1.8 million prepaid customers, who make up a vast majority of the subscriber base. ARPU has registered an increasing trend from launch due to the expansion and increase in network coverage, improvements in network quality, increases in the customer base and an increase in Telenor Pakistan's market presence.

Table of Contents*Operating expenses Telenor Pakistan*

Operating expenses during 2005 were much higher than in 2004 due to the launch of operations in March of 2005. The major elements of operating expenses include cost of material and traffic charges, which includes interconnection and leased line costs. There are also other operating expenses, which are dominated by customer acquisition costs, advertising expenses and consultancy costs related to start up of the operation and internal other operating expenses, comprised mainly of overhead expenses. Salaries and personnel costs rose substantially from 2004 due to the rapid build up of the organization during 2005 to prepare it for commercial launch earlier in the year and for the aggressive expansion plans to meet strong customer demand.

Capital expenditure Telenor Pakistan

The majority of the 2005 capital expenditure were due to the roll-out of the GSM network as Telenor Pakistan undertook an aggressive network expansion plan to expand coverage and capacity to compete more effectively with the existing network operators. The 2004 capital expenditure included investments in some parts of the network, IT systems and real estate and other assets. 2004 capital expenditure included the GSM license.

ProMonte GSM Montenegro

In 2004, we increased our ownership interest in ProMonte from 44.1% to 100% and consolidated ProMonte as a subsidiary effective August 12, 2004. The table above shows figures included in the accounts for Telenor from the date of acquisition. The following discussion and analysis of ProMonte's 2004 results of operations is based on ProMonte's financial statements for the full year 2004 as prepared by ProMonte, which we have adjusted to conform materially with IFRS. We believe that such information provides a more useful measure of comparative financial performance for a period when we had not yet consolidated ProMonte. However, such information does not purport to represent what the actual results of operations would have been had ProMonte been consolidated from January 2004 and is not necessarily indicative of our future operating results. The Norwegian Krone appreciated against the Euro, the functional currency of ProMonte GSM, by 4% in 2005 compared to 2004.

Operating profit and EBITDA ProMonte GSM

Operating profit and EBITDA increased in 2005 compared to 2004 due to higher traffic as a result of the increase in the number of subscriptions which more than offset the increase in operating expenses.

Revenues ProMonte GSM

In 2005, revenues increased due to increased traffic resulting from an increase in the number of subscriptions. On average each subscription generated approximately the same average number of call minutes. ProMonte's market share of GSM subscriptions at December 31, 2005 was estimated to be 58%, the same as at December 31, 2004.

Operating expenses ProMonte GSM

Operating expenses increased in 2005 compared to 2004 due to an increase in external and other operating expenses and costs of materials and traffic charges. The increase in external and other operating expenses was mainly due to increased advertising costs, commission expenses and network operation costs as a result of an increase in gross sales and subscriber base. Costs of materials and traffic charges increased in 2005 compared to 2004 mainly due to the increase in traffic.

Capital expenditure ProMonte GSM

Capital expenditure decreased in 2005 compared to 2004 due to reduced prices for network-related equipment.

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Telenor Mobile Sweden

The Norwegian Krone depreciated against the Swedish Krone by 6% in 2005 compared to 2004.

Operating loss and EBITDA Telenor Mobile Sweden

Operating loss and EBITDA loss decreased in 2005 compared to 2004, primarily due to a lower costs in 2005 for an estimated loss on the MVNO contract in Sweden. Telenor Mobil Sweden entered into a MVNO contract to purchase capacity in a mobile network in Sweden, which partly included fixed prices, as an alternative to the then existing service provider agreement. Following price reductions in the Swedish market and reduced expectations in respect of future earnings potential, the loss was estimated as the difference between expected future economic benefits and unavoidable costs in the contract. In 2004, Telenor Mobile Sweden expensed NOK 562 million as an estimated loss on the MVNO contract. In the first quarter of 2006, Telenor Mobile Sweden will transfer its traffic to its Vodafone Sweden's network, which we acquired in January 2006. In 2005 we expensed a loss on the MVNO agreement of NOK 414 million.

Further, the book value of NOK 75 million as of December 31, 2004 on all fixed assets was written down to zero which is the reason which led to no depreciation or amortization in 2005.

Revenues Telenor Mobile Sweden

Total revenues increased compared to last year, due to higher roaming inbound traffic resulting from an improved market share of Telenor Mobil Norway roaming in Sweden from 20% in 2004 to 45% in 2005. The change in the subscription composition, from a mix of service provider customers, which do not provide interconnection revenues, and MVNO customers in 2004 to only MVNO customers in 2005 explains the increase in interconnection revenue from last year. The lower subscription and traffic revenue in 2005 is explained by lower number of average customers compared to last year.

Operating expenses Telenor Mobile Sweden

Total operating expenses decreased compared to 2004 primarily due to the reduced expenses for losses related to the MVNO contract. As a result, the traffic charges decreased due to lower allocation of the fixed MVNO fee. Other external operating cost decreased primarily due to lower sales and marketing related costs as a result of lower customer growth associated with the MVNO contract.

Table of Contents**TELENOR FIXED**

	2004	2005
	(NOK in millions)	
Fixed Norway	17,545	16,867
Fixed Other operations	1,829	2,581
Eliminations	(118)	(135)
Total revenues (1)	19,256	19,313
Total operating expenses	12,918	13,428
EBITDA	6,338	5,885
Depreciation and amortization(2)	3,573	3,236
Write-downs(3)	40	587
Operating profit	2,725	2,062
EBITDA/ Total revenues (%)	32.9	30.5
Operating profit/ Total revenues (%)	14.2	10.7
Capital expenditure	1,791	2,776
Investments in businesses	105	5,816
No. of man-years (end of period)	5,651	5,987
of which outside Norway	643	1,169

(1) Of which internal revenues	1,823	2,173
(2) Of which amortization of Telenor's net excess values	7	66
(3) Of which write-downs of Telenor's net excess values	(22)	(24)

	2004	2005
	(NOK in millions)	
EBITDA		
Fixed Norway	6,330	5,701
Fixed Other operations	15	185
Eliminations	(7)	(1)
Total EBITDA	6,338	5,885
Operating profit		
Fixed Norway	3,077	3,019
Fixed Other operations	(345)	(960)

Eliminations	(7)	3
Total operating profit	2,725	2,062

You should read **Results of Operations – Group Operating Profit and EBITDA** for a discussion of EBITDA and its importance to management as an indicator of performance for each of our operating segments.

Overview

In 2005, Fixed s revenues increased due to the acquisitions of Bredbandsbolaget and Cybercity, which offset decreased revenues in Fixed Norway due to the sale of part of the Managed Services business and decreased revenues from fixed telephony.

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The decrease in fixed telephony was primarily a consequence of increased competition, including competition from service providers to whom we provide telephony access (PSTN and ISDN) on a wholesale basis, reduced subscription and connection revenues as a result of the continued decline in traffic revenues from the migration of voice minutes to mobile traffic and data minutes to IP (xDSL). In spite of the increased competition from other fixed operators and service providers for PSTN/ ISDN and xDSL services, we did increase our market share for xDSL subscriptions. The increase in revenues from xDSL, however, offset only in part the decrease in fixed telephony revenues.

Operating profit and EBITDA decreased in 2005 compared to 2004 due a fall in revenues and gross margin only partially offset by decreased operating expenses. In 2005, we expensed NOK 159 million to workforce reductions, compared to NOK 86 million in 2004. Decreased depreciation, amortization and write-downs were primarily due to decreased capital expenditure in the period 2002 to 2005. This decrease was partially offset by the increased amortization for expenses associated with transactions that provide the rights to use assets, such as local loop unbundling.

Fixed Norway

	2004	2005
	(NOK in millions)	
Telephony	8,268	7,232
xDSL/ Internet	1,753	2,039
Data services	1,022	963
Other revenues	1,656	1,465
Total retail revenues	12,699	11,699
Wholesale revenues	4,846	5,168
Total revenues(1)	17,545	16,867
External costs of materials and traffic charges	2,559	2,537
Internal costs of materials and traffic charges	1,333	1,243
Total costs of materials and traffic charges	3,892	3,780
Own work capitalized	(116)	(158)
Salaries and personnel costs	3,122	3,050
External other operating expenses	2,585	2,733
Internal other operating expenses	1,640	1,650
Other (income) and expenses	92	111
Total operating expenses	11,215	11,166
EBITDA(4)	6,330	5,701
Depreciation and amortization(2)	3,251	2,707
Write-downs(3)	2	(25)
Operating profit	3,077	3,019

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	2004	2005
	(NOK in millions)	
EBITDA/ Total revenues (%)	36.1	33.8
Operating profit/ Total revenues (%)	17.5	17.9
Capital expenditure	1,473	2,169
Investments in businesses	2	44
No. of man-years (end of period)	5,000	4,819

(1) Of which internal revenues	1,842	2,190
(2) Of which amortization of Telenor's net excess values	2	
(3) Of which write-downs of Telenor's net excess values	2	(36)
(4) You should read Results of Operations Group Operating Profit and EBITDA for a discussion of EBITDA and its importance to management as an indicator of performance for each of our operating segments.		

Operating profit and EBITDA Fixed Norway

The results in 2004 were affected by the sale of part of the Managed Services business from Fixed to EDB Business Partner with effect from May 1, 2004. The transferred businesses provided services in connection with the operation of the IT systems to other Telenor companies and to external customers.

Operating profit decreased in 2005 compared to 2004 due to decreased EBITDA partly offset by decreased depreciation and amortization. Decreased EBITDA was a result of a fall in revenues and gross margin due to reduced retail revenues in part offset by decreased operating costs. Depreciation and amortization decreased primarily due to decline in capital expenditure.

As a result of the reclassification of costs associated with certain asset use transactions, such as local loop unbundling, EBITDA increased by NOK 105 million for the full year 2005. Operating profit was not affected as a result of this change.

Revenues Fixed Norway

Revenues from fixed telephony decreased in 2005 compared to 2004 due to fall in the number of subscriptions and decreased fixed voice traffic. The number of PSTN/ ISDN subscriptions was 1,599,000 at December 31, 2005, a decrease of 201,000 compared to December 31, 2004. The number of fixed telephony subscriptions decreased primarily as a result of migrations to broadband telephony, or VoIP, with other network operators and a fall in the overall market for fixed network subscriptions. The decline in voice traffic minutes was due to the decrease in the number of subscriptions and migration of fixed voice traffic to mobile traffic. The decrease was partially offset by an increase in the number of broadband telephony subscriptions by 24,000.

Revenues from xDSL/ Internet increased due to the increase in the number of xDSL subscriptions. This was partially offset by decreased revenues from Internet subscriptions and traffic. The number of xDSL subscriptions (business and residential) was 584,000 at December 31 2005, an increase of 167,000 compared to the end of 2004. Telenor's estimated market share of xDSL subscriptions was 58% in December 2005, in line with December 2004

Telenor's estimated market share measured in traffic minutes was 66% in December 2005, compared to 68% in December 2004.

Decreased revenues from data services in 2005 compared to 2004 were a result of price reductions due to a shift in the demand towards lower priced products.

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Revenues from other retail services comprise leased lines, managed services and other retail services. Such revenues decreased in 2005 compared to 2004 due to the impact on revenues from the sale of part of Managed Services from Fixed to EDB Business Partner effective May 1, 2004. Adjusted for the NOK 162 million decline in revenues as a result of this sale, revenues from other retail services in 2005 were in line with 2004.

Increased wholesale revenues from sales of telephony and broadband subscriptions, leased lines, local loop unbundled subscriptions and contractor services more than offset the decrease in revenues from national interconnection and transit traffic.

Internal revenues increased in 2005 compared to 2004 as a result of increased sale of retail services to other operations, increased international interconnection and transit traffic from our Nordic mobile companies and increased sales of lease lines and contractor services to Telenor Mobil Norway and Telenor Broadcast.

Operating expenses Fixed Norway

Total costs of materials and traffic charges decreased in 2005 compared to 2004 due to a decline in telephony traffic and data services and the effect of the sale of part of Managed Services business from Fixed to EDB Business Partner effective May 1, 2004. This decrease was partially offset by increased costs due to increased sales of other retail services, increased international interconnection and transit traffic and increased sales of contractor services.

Increased own work capitalized in 2005 compared to 2004 was due to increased capital expenditure in 2005 compared to 2004.

Salaries and personnel costs decreased in 2005 compared to 2004 due to the decline in the number of man-years partly as a result of the transfer of parts of our Managed Services business from Fixed to EDB Business Partner as of May 1, 2004. This decrease was partly offset by a general increase in salaries and increased pension cost. In 2004 and 2005, we made changes in our pension plans. We recorded one-time effects that reduced our pension expenses in both years.

Other operating expenses increased in 2005 compared to 2004 mainly due to increased costs for consultancy fees for external personnel and increased distribution of corporate costs. This was partially offset by decreased operation and maintenance costs and sales and marketing costs. The increased costs for consultancy fees was mainly due to implementing process improvement projects and costs related to increased speed for xDSL. Decreased operations and maintenance costs were mainly due to the reclassification with respect to certain asset use transactions, such as local loop unbundling. These costs in such transactions are recognized as prepaid lease costs and have been reclassified from operations and maintenance costs to depreciation. Sales and marketing cost decreased due to a decline in advertising and commission expenses and maintenance costs.

Other (income) and expenses increased in 2005 compared to 2004 due to increased costs for workforce reductions. In 2005, we expensed NOK 122 million for workforce reductions, compared to NOK 71 million in 2004.

Depreciation and amortization decreased in 2005 compared to 2004 as a result of decreased capital expenditure in the period 2002 to 2004 and the effect of sale of parts of Managed Services from Fixed to EDB Business Partner effective May 1, 2004. In addition, a change in useful lives of certain assets as of January 1, 2005 is estimated to have decreased depreciation and amortization by approximately NOK 80 million in 2005. For more information, please see note 15 to our consolidated financial statements.

Decreasing capital expenditure in the period 2002 to 2004 was due to declining demand for fixed network services, improved efficiency (e.g. in the use of capital) and reduced equipment prices. The decrease in depreciation and amortization was partially offset by increased depreciation due to the reclassification discussed above with respect to certain asset use transactions. In 2005, NOK 31 million of negative goodwill related to the consolidation of Tiscali AS in March 2005 was included in write-downs.

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Capital Expenditure Fixed Norway

Increased capital expenditure in 2005 compared to 2004 was due to increased investments in IT/ IS systems and licenses and capacity expansions in the trunk network due to increased data traffic as a result of enhanced growth the number of broadband subscriptions. Capital expenditure also increased as a result of the reclassification discussed above as certain asset use transactions are recognized as prepaid lease costs and the prepaid costs in the balance sheet have now been reclassified from prepaid expenses to property, plant and equipment, with a corresponding increase in capital expenditure. Investments in businesses in 2005 were related to the acquisition 2005 of Tiscali AS in the first quarter.

Table of Contents**Fixed Other Operations**

	2004	2005
	(NOK in millions)	
Fixed Sweden	1,654	2,096
Fixed Denmark		306
Other countries/eliminations	175	179
Total revenues(1)	1,829	2,581
EBITDA(4)	15	185
Of which:		
Fixed Sweden	9	158
Fixed Denmark		97
Other countries/eliminations	6	(70)
Depreciation and amortization(2)	322	528
Write-downs(3)	38	617
Operating profit	(345)	(960)
Of which:		
Fixed Sweden	(289)	(866)
Fixed Denmark		29
Other countries	(56)	(123)
Capital expenditure		
Fixed Sweden	279	485
Fixed Denmark		97
Other countries/eliminations	39	25
Total capital expenditure	318	607
Investments in businesses		
Fixed Sweden	93	4,452
Fixed Denmark		1,320
Other countries/eliminations	39	25
Total investments in businesses	93	5,772
No. of man-years (end of period)		
Fixed Sweden	455	645
Fixed Denmark		344
Other countries/eliminations	188	180
Total no. of man-years (end of period)	643	1,169

(1) Of which internal revenues	99	118
(2) Of which amortization of Telenor's net excess values	5	66
(3) Of which write-downs of Telenor's net excess values	(24)	12
(4) You should read Results of Operations Group Operating Profit and EBITDA for a discussion of EBITDA and its importance to management as an indicator of performance for each of our operating segments.		

Table of Contents**Fixed Sweden*****Operating (loss) and EBITDA Fixed Sweden***

Operating loss increased in 2005 primarily due to write-downs of fixed assets in Telenor AB as a result of price reductions in the market due to increased competition and a general shift in product demand to lower priced products. The change in accounting treatment discussed in Fixed Norway for costs associated with certain asset use transactions, such as local loop unbundling, had a positive effect on EBITDA of NOK 107 million and operating loss of NOK 82 million. The acquisition of Bredbandsbolaget as of July 8, 2005 also increased EBITDA by NOK 179 million.

Revenues Fixed Sweden

Revenues increased in 2005 due to the acquisition of Bredbandsbolaget, which increased revenues by NOK 665 million. This increase was offset by decreased revenues in Telenor AB in 2005 due to the fall in revenues from data services as result of price reductions and shifts in the product portfolio to lower priced products. In 2004, the revenues in Telenor AB were increased by one-time revenues of NOK 56 million from sale of data services on a wholesale basis and a prepaid sale of capacity for delivery in the future where the delivery obligation was terminated.

Capital Expenditures Fixed Sweden

Capital expenditure increased in 2005 due to acquisition of Bredbandsbolaget, which increased capital expenditure by NOK 214 million. This increase was partially offset by a decrease in capital expenditure in Telenor AB due to decreased demand for network capacity. The change in accounting treatment discussed in Fixed Norway for costs associated with certain asset use transactions, such as local loop unbundling, increased capital expenditures by NOK 80 million in 2005.

Fixed Denmark

Fixed s revenues, EBITDA, operating profit and capital expenditure in Denmark was due to the acquisition of Cybercity as of July 5, 2005.

Fixed Other Countries

Fixed Other Countries comprises our networks and Internet activities in the Czech Republic and Slovakia. At the end of 2005, we entered into an agreement for sale of these activities and recorded a loss on disposal of NOK 63 million.

Operating Expenses Fixed

Total costs of materials and traffic charges increased in 2005 compared to 2004 mainly as a result of the acquisition of Bredbandsbolaget on July 8, 2005 and Cybercity on July 5, 2005, partially offset by the change in accounting treatment discussed in Fixed Norway for costs associated with certain asset use transactions, such as local loop unbundling. Previously, such costs were recorded as costs of materials and traffic charges, and were primarily expensed as incurred. Such prepaid costs are now recorded as prepaid lease expenses and recorded as amortization over the expected customer relationship.

Salaries and personnel costs increased in 2005 compared to 2004 due to the acquisitions of Bredbandsbolaget in Sweden and Cybercity in Denmark and a general increase in salaries in Telenor AB, partially offset by a reduction in man-years.

Costs related to workforce reduction in 2005 were NOK 37 million, an increase of NOK 22 million in 2004.

Other operating expenses increased in 2005 compared to 2004 mainly due to increased operation and maintenance costs and sales and marketing costs as a result of acquisition of Bredbandsbolaget and Cybercity

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and increased internal expenses in Telenor AB associated with the outsourcing of certain business servicing costs to the Telenor Group.

Depreciation and amortization increased in 2005 compared to 2004 due to the change in accounting treatment discussed in Fixed Norway for costs associated with certain asset use transactions, such as local loop unbundling. The change increased amortization by NOK 29 million in 2005.

TELENOR BROADCAST

	2004	2005
	(NOK in millions)	
Distribution	4,309	4,615
Transmission	1,211	1,207
Other	461	355
Eliminations	(635)	(528)
Total revenues (1)	5,346	5,649
External costs of materials and traffic charges	2,072	2,281
Internal costs of materials and traffic charges	98	118
Total costs of materials and traffic charges	2,170	2,399
Own work capitalized	(10)	(13)
Salaries and personnel costs	571	566
External other operating expenses	861	944
Internal other operating expenses	251	237
Other (income) and expenses	5	
Total operating expenses	3,848	4,133
EBITDA(4)	1,498	1,516
Of which:		
Distribution	749	818
Transmission	688	713
Other	61	(15)
Depreciation and amortization(2)	704	554
Write-downs(3)	44	(53)
Operating profit	750	1,015
Of which:		
Distribution	302	494
Transmission	409	564
Other	39	(43)
EBITDA/ Total revenues (%)	28.0	26.8
Operating profit/ Total revenues (%)	14.0	18.0
Capital expenditure	880	392
Distribution	120	207
Transmission	735	122
Other	25	63

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	2004	2005
	(NOK in millions)	
Investments in businesses		42
Distribution		23
Transmission		
Other		19
No. of man-years (end of period)	774	808
Of which outside Norway	222	255

(1) Of which internal revenues	135	131
(2) Of which amortization of Telenor's net excess values	63	56
(3) Of which write-downs of Telenor's net excess values	25	75
(4) You should read Results of Operations Group Operating Profit and EBITDA for a discussion of EBITDA and its importance to management as an indicator of performance for each of our operating segments.		

Operating profit and EBITDA Broadcast

The increase in EBITDA in Distribution in 2005 compared to 2004 was due to a higher subscriber base and lower costs associated with the purchase of internal services from other Broadcast companies. This was partially offset by higher subscriber acquisition cost and the effect of the appreciation of the Norwegian Krone compared to the Swedish and Danish Krone. Operating profit in Distribution was further increased by reduced depreciation and amortization expenses primarily due to fully depreciated fixed assets.

In 2005, EBITDA in Transmission increased compared to 2004 primarily due the replacement of formerly leased capacity with owned satellite transponders on Intelsat 10-02 from September 2004.

The increase in operating profit in Broadcast in 2005 was also due to the reversal of a previous write-down of a satellite in Transmission of NOK 133 million in 2001 to the estimated recoverable amount. This was partially offset by a write-down of goodwill of NOK 75 million in Distribution due to recognition of not previously recognized tax assets in a business combination. According to IFRS, the acquirer shall write down the carrying amount of goodwill with the same amount as not previously recognized deferred tax assets are recognized as tax income.

Revenues Broadcast

External revenues in Distribution increased by 7% in 2005 compared to 2004 primarily due to a higher number of DTH and DTT pay-TV subscribers, and Cable TV and Cable TV Internet access subscribers. This was partially offset by the effects of the appreciation of the Norwegian Krone against the Swedish Krone and the Danish Krone.

At December 31, 2005, our total number of television subscribers in the Nordic region was 3,019,000, a net increase of 3.2% compared to December 31, 2004. The number of DTH pay-TV subscribers was 906,000, an increase of 10% compared to December 31, 2004. The number of Cable TV subscribers increased by 57,000 to 681,000, including 30,000 subscribers in the Danish company OE Kabel TV, acquired in November 2005. The number of Cable TV Internet access subscribers was 73,000 at December 31, 2005, an increase of 28,000 from December 31, 2004, including 12,000 subscribers from the acquisition of OE Kabel TV. As of December 31, 2005, we had 33,000 DTT pay-TV subscribers in Finland.

External revenues in Transmission decreased in 2005 compared to 2004 due to phasing out of analog transmission via satellite.

Table of Contents**Operating expenses Broadcast**

Total operating expenses in Distribution increased in 2005 compared to 2004 primarily due to a higher subscriber base and higher subscriber acquisition costs per new DTH subscriber as a result of increased competition. Salaries and personnel costs in 2005 decreased compared to 2004 primarily due to the outsourcing of the customer service centre for Cable TV Norway at the end of 2004. Depreciation and amortization expenses in 2005 decreased compared to 2004 primarily due to fully depreciated set-top boxes.

In 2005, costs of materials and traffic charges in Transmission decreased compared to 2004 due to the replacement of leased satellite capacity with our own satellite transponders from September 2004. Increase in salary and personnel cost was primarily due to the hiring of new personnel related to a new satellite to be delivered in 2007.

Capital Expenditure Broadcast

Capital expenditure in 2005 was primarily related to upgrading of the Cable TV network in Norway and investment in infrastructure in Transmission.

Other Broadcast

Other primarily consists of Conax, which offers conditional access systems (such as smart cards) as well as the corporate functions of Broadcast. Negative EBITDA in 2005 compared to positive EBITDA in 2004 was primarily due to lower sales of internal services in Broadcast, partially offset by increased external sales in Conax.

OTHER OPERATIONS

	2004	2005
	(NOK in millions)	
EDB Business Partner	4,287	4,991
Satellite Services	2,385	2,428
Venture	901	490
Corporate functions and group activities	2,154	2,266
Other	174	25
Eliminations	(361)	(233)
Total revenues(1)	9,540	9,967
Total operating expenses	8,426	8,876
EBITDA(4)	1,114	1,091
Of which:		
EDB Business Partner	978	785
Satellite Services	409	393
Venture	130	(2)
Corporate functions and group activities	(417)	(77)
Other	(2)	(4)
Eliminations	16	(4)
Depreciation and amortization(2)	975	1,033
Write-downs(3)	43	10
Operating profit	96	48

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	2004	2005
	(NOK in millions)	
Of which:		
EDB Business Partner	736	377
Satellite Services	133	125
Venture	97	(23)
Corporate functions and group activities	(809)	(420)
Other	(76)	(7)
Eliminations	15	(4)
Capital expenditure		
EDB Business Partner	233	401
Satellite Services	158	181
Venture	52	30
Corporate functions and group activities	249	213
Other	5	7
Total capital expenditure	697	832
Investments in businesses		
EDB Business Partner	1,076	50
Satellite Services	142	10
Venture	57	43
Corporate functions and group activities	54	214
Other		15
Total investments in businesses	1,329	332
Of which outside Norway	893	858
No. of man-years (end of period)		
EDB Business Partner	3,008	2,631
Satellite Services	537	523
Venture	577	681
Corporate functions and group activities	1,165	1,161
Other	13	17
Total no. of man-years (end of period)	5,300	5,013
Of which outside Norway	893	858

- | | | |
|--|-------|-------|
| (1) Of which internal revenues | 2,929 | 2,907 |
| (2) Of which amortization of Telenor's net excess values | 8 | 8 |
| (3) Of which write-downs of Telenor's net excess values | 3 | 5 |
- (4) You should read Results of Operations Group Operating Profit and EBITDA for a discussion of EBITDA and its importance to management as an indicator of performance for each of our operating segments.

EDB Business Partner ASA (ownership interest 51.8% as of December 31, 2005)

EDB Business Partner ASA's results are impacted by the acquisitions of the Managed Services business from Fixed (May 1, 2004), Apoteket AB (April 1, 2004), IBM's service activities in the Norway (December 31, 2004), Capgemini's infrastructure management operations in Sweden and Norway (December 31, 2004) and BanqIT Business Applications (May 1, 2005). The System Integration area within Telecom was divested as from March 25, 2004 and the remaining part of the Telecom business area was divested as from September 30, 2005.

Revenues increased by 16% in 2005 compared to 2004 due to the businesses acquired. Revenues also increased as a result of the growth in the Solutions Bank & Finance area.

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Operating profit decreased in 2005 compared to 2004, primarily due to gains of NOK 303 million from disposal of System Integration (part of the Telecom area) in 2004. For the same reason EBITDA decreased in 2005 compared to 2004. The decreases in operating profit and EBITDA were partially offset by the improved profitability in the Solutions Bank & Finance area. Increased depreciation and amortization was due to a shift from operating leases to own investments, as well as an increase in capital expenditure.

Capital expenditure in 2004 and 2005 related mainly to investments within the IT Operations area. These investments include computer hardware and software for the mainframe and Unix platforms and replacement of equipment used in IT operations outsourced from our customers. In 2005, we also invested in data centers in connection with general upgrading and centralization of the mainframe operations in Norway and Sweden.

In January 2006, EDB Business Partner has acquired four businesses; Tag Systems, Datarutin, Avenir and Spring Consulting for a total consideration of approximately NOK 660 million.

Telenor Satellite Services

In 2004, the sub-units Satellite Services and Satellite Networks were merged into one unit under the name of Telenor Satellite Services (TSS). TSS also acquired, in 2004, GMPCS Personal Communications Inc. (August) and Neratek AS (December).

The increase in revenues in Satellite Services in 2005 compared to 2004 was primarily due to the two companies acquired in 2004 and growth within the Corporate Networks and Sealink segments. Both the strengthening of the Norwegian Krone against the US Dollar in 2005 compared to 2004 as well as a continued downward pressure on prices on many of the Inmarsat products had a negative effect both on our revenue and on our overall results in 2005. Revenues and profits in 2004 were negatively impacted by adjusted accruals for project revenues.

The decrease in operating profit in 2005 compared to 2004 was primarily due to reduced sales and margins on many Inmarsat products, a settlement of a commercial dispute, the appreciation of the Norwegian Krone against the US Dollar, and costs for workforce reductions.

Total capital expenditure in 2005 amounted to NOK 181 million and in 2004 amounted to NOK 158 million related primarily to investments in Sealink equipment and to the technical up-grade of our operations at the land earth stations.

Telenor Venture

At the end of 2005, operations in Telenor Venture consisted of ownership in several companies. Opplysningen (changed name in 2005 from Teleservice) represented the primary subsidiary of the business.

Revenues in Telenor Venture decreased in 2005 compared to 2004 primarily due to disposals of subsidiaries, which were partially offset by increased revenues in Opplysningen in 2005 due to increased market share and the establishment of new products.

The operating profit in Telenor Venture decreased in 2005 compared to 2004 primarily due to gain from disposals of subsidiaries in 2004 and due to the costs of the establishment of new products by Opplysningen.

Other

Other principally includes Telenor International Business and Telenor New Business. Revenues in Other decreased in 2005 due to the disposal of Telecom Management Partner in May 2005. The operating loss was reduced in 2005 compared to 2004 due to the sale of Software Services in 2004.

Corporate Functions and Group Activities

This area comprises Real Estate, Research and Development, Strategic Group Projects, Internal Insurance Company, Group Treasury, International Services and central staff and support functions.

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In 2005, the EBITDA loss decreased as a result of increased revenues from the increased allocation of business service costs to the different segments in Telenor, as well as reduced pension costs in 2005 compared to 2004, reduced activity in strategic group projects, reduced costs for workforce reductions and increased gains on sale of operations, land and properties. The sale of properties also led to lower depreciation compared to 2004.

In 2004, a change in the accounting treatment of our agreement-based early retirement pension plan in the Group led to more than NOK 100 million in additional pension costs in corporate functions and Group activities in 2004. The total effect for the Group was slightly negative.

In 2005, net gains on disposal of fixed assets (and operations) was NOK 163 million, an increase by NOK 64 million compared to 2004. Expenses for workforce reductions and onerous (loss) contracts was NOK 29 million in 2005 compared to NOK 115 million in 2004.

In 2004, Corporate Functions and Group Activities had higher operating expenses on strategic group projects, primarily the efficiency improvements program, and significant costs in relation to the assembling of Telenor's IT operations in EDB Business Partner.

Capital expenditure decreased from 2004 to 2005, due to lower investments in IT systems in 2005.

WORKING CAPITAL

Working capital (total current assets less total current liabilities) was negative by NOK 11.4 billion as of December 31, 2005 and negative by NOK 2.5 billion as of December 31, 2004. Installments on interest-bearing liabilities to be paid during the next 12 months are classified as short-term interest-bearing liabilities and contribute to the negative working capital. We believe that taking into consideration our established credit facilities and having due regard for our sources of liquidity reserves (including committed credit facilities), credit rating and access to capital markets, we have sufficient liquidity and working capital to meet our present and future requirements. Our capital resources are described below.

LIQUIDITY

You should read the cash flow statement in our consolidated financial statements that form part of this report on Form 20-F for detailed figures related to the Group's cash flow. We present our cash flow statement using the direct method. The statement provides detailed information of our cash flows. The table below shows an aggregated cash flow statement:

	2004	2005
	(NOK in millions)	
Aggregated cash flow statement		
Net cash flow from operating activities	18,991	22,340
Net cash flow from investment activities	(13,031)	(19,998)
Net cash flow from financing activities	(8,255)	(832)
Effect on cash and cash equivalents of changes in foreign exchange rates	(268)	215
Net change in cash and cash equivalents	(2,563)	1,725
Cash and cash equivalents January 1	7,644	5,081
Cash and cash equivalents December 31	5,081	6,806

Net cash flow from operating activities increased in 2005 compared to 2004 by NOK 3.3 billion, primarily due to the growth and increased revenues, especially in our mobile operations outside Norway. This was partially offset by increased payments of operating costs and financial expenses, and reduced proceeds from financial income.

In 2004, we paid income taxes of NOK 1.5 billion, of which NOK 0.6 billion was payment of taxes on the gain on sale of VIAG Interkom in 2001. In 2005, we paid income taxes of NOK 1.4 billion. Payments of income taxes occurred primarily in Mobile companies outside Norway. We did not pay taxes in Norway in

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2004 and 2005 due to tax losses carried forward. However, we may be in a tax payable situation during 2006 in Norway. Income taxes in Norway are paid in the year subsequent to the fiscal year. However, we will in 2006 pay taxes in Norway of approximately NOK 350 million claimed by the tax authorities due to their disallowance in 2005 of a tax loss on liquidation of a subsidiary, as discussed under **Income Taxes** .

Net cash payments from investment activities increased by approximately NOK 7 billion in 2005 compared to 2004. Our cash payments for capital expenditure increased by approximately NOK 2.6 billion. The difference between our reported capital expenditure of NOK 16.4 billion and payments of NOK 14.2 billion was primarily due to investments in mobile licenses partially not paid in 2005, delayed payments by some of our mobile operations in Asia, a financial lease of a fibre optic network in GrameenPhone and reported capital expenditure due to reclassifications of prepaid lease costs in Fixed that partially were paid in previous years. Our cash payments for investment in businesses increased in 2005 compared to 2004 by approximately NOK 1.8 billion. Payments for acquisitions of businesses (net of cash acquired) in 2005 was approximately NOK 8.1 billion, primarily related to Bredbandsbolaget, DTAC/ UCOM and Cybercity. The difference to our reported figure of NOK 8.8 billion in 2005 was primarily due to cash and cash equivalents in the acquired companies. Proceeds from sale of other investments decreased by approximately NOK 2.4 billion. In 2004, we sold our remaining shares in Cosmote for NOK 3.1 billion. In 2006, we sold our remaining shares in Inmarsat with a gain on disposal of NOK 1.8 billion.

You should read **Investments** for further information about Telenor's investments in 2005 and 2004 and note 1 to our consolidated financial statements for more information about our major acquisitions and disposals of businesses.

In 2005, we had net cash inflow of NOK 4.2 billion on our interest-bearing liabilities, primarily in Telenor ASA and in Kyivstar. Our interest-bearing liabilities in the balance sheet increased by 14.7 billion. The excess over cash inflow on our interest-bearing liabilities was due primarily to interest-bearing liabilities in acquired subsidiaries. In addition the increase in interest-bearing liabilities in the balance sheet was due to a financial lease in GrameenPhone, mobile licenses acquired of which parts were not paid in 2005. Changes in currency exchange rates and fair value adjustments on hedged interest-bearing liabilities. Telenor paid dividends of NOK 2.6 billion to the shareholders of Telenor ASA in 2005 and our subsidiaries paid NOK 0.2 billion to the minority interests. The corresponding figures in 2004 were NOK 1.8 billion and NOK 0.2 billion respectively. In addition, Telenor paid NOK 2.3 billion in 2004 for the buy back of own shares.

Our cash and cash equivalents increased by approximately NOK 1.7 billion during 2005 to NOK 6.8 billion as of December 31, 2005, due to the factors mentioned above. The table below shows how much of our cash and cash equivalents are included in the Group's cash pool systems and thereby generally available for the Group as a whole for the day to day operations.

	Dec. 31, 2004	Dec. 31, 2005
	(NOK in millions)	
Cash and cash equivalents in the Group's cash pool systems	3,028	1,705
Cash and cash equivalents not in the Group's cash pool systems(1)	2,053	5,101
Total cash and cash equivalents at year ends	5,081	6,806

- (1) Subsidiaries in which Telenor owns less than 90 percent of the shares are normally not participating in the Group's cash pool systems, held by Telenor ASA. As of December 31, 2005, these cash and cash equivalents primarily related to Kyivstar and DiGi.

Table of Contents**INVESTMENTS**

	2003(1)	2004	2005
	(NOK in millions)		
Fixed networks	2,099	2,153	2,949
Mobile networks	2,487	4,175	7,838
Properties	546	233	453
Support systems (office and computer equipment, software, cars etc.)	1,991	2,159	2,698
Other intangible assets	81	2,654	801
Satellites		636	
Prepaid leases			218
Work in progress (net additions) and other	(750)	735	1,482
Total Capital expenditure (Capex)(2)	6,454	12,745	16,439
Investments in businesses(3)	563	5,809	8,858
Total	7,017	18,554	25,297

(1) The figures for Capital expenditures and investments in businesses for 2003 were unaffected by the change from Norwegian GAAP to IFRS.

(2) Capital expenditure (Capex) is investments in property, plant and equipment and intangible assets.

(3) Investments in businesses are acquisition of shares and participations, including acquisition of subsidiaries and businesses not organized as separate companies.

In 2006, we expect the high capital expenditure to continue. We expect capital expenditure as a proportion of revenues to be above 20% in 2006. Capital expenditure is expected to continue to be driven by high subscription growth within Telenor's mobile operations in emerging markets. The actual amounts and the timing of our capital expenditure may vary substantially from our estimates.

Our capital expenditure in 2005 amounted to NOK 16.4 billion, which was an increase of NOK 3.7 billion compared to 2004. In 2005 investments in fixed networks increased by NOK 0.8 billion mainly in Fixed Norway. The most significant investments in mobile networks were in Kyivstar, GrameenPhone and Telenor Pakistan (NOK 1.8 billion). Capital expenditure in other intangible assets in 2005 included NOK 0.5 billion for the purchase of a UMTS license in Denmark and NOK 0.2 billion for renewal of a GSM 900 license in Norway.

Our capital expenditure in 2004 amounted to NOK 12.7 billion. In 2004, the most significant investments in mobile networks were in Kyivstar, GrameenPhone and DiGi.Com. In addition, capital expenditure in other intangible assets in 2004 included NOK 2.4 billion for the purchase of a license for mobile telephony in Pakistan and a UMTS license in Hungary.

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The table below lists our most significant investments in businesses and the acquisition cost, including capital contributions to our associated companies, for each of the last three years.

	2003(1)	2004	2005
	(NOK in millions)		
DTAC/ UCOM			2,664
Bredbandsbolaget			4,452
Cybercity			1,313
Sonofon Holding A/ S(2)		3,639	
European Telecom Luxembourg SA (ProMonte)		541	
GrameenPhone Ltd.	86	298	
CBB AS		147	
Nordialog		52	
Kyivstar G.S.M. JSC	8	35	
One GmbH			158
OJSC Comincom/Combella	217		
OJSC Golden Telecom	63		
EDB Business Applications AB			50
Norsk Vekst Private IV LP			48
Tiscali AS			43
Purchase of IT-operations in EDB Business Partner		738	
GMPCS Personal Communications Inc.		85	
Neratek AS		42	
Bravida ASA	82	27	
Utfors AB	13	70	
Other	94	135	130
Total investments in businesses	563	5,809	8,858

(1) The figures for investments in businesses for 2003 were unaffected by the change from Norwegian GAAP to IFRS.

(2) In addition we paid NOK 0.8 billion to take over a shareholder's loan.

Table of Contents**INFORMATION ABOUT CONTRACTUAL CASH PAYMENTS****Contractual Cash Payments**

The following table shows our contractual obligations and commercial commitments as of December 31, 2005.

	Payments due				
	Total	Less than 1 year (2006)	2-3 years	4-5 years	Over 5 Years
(NOK in millions)					
Interest-bearing liabilities	37,199	11,611	10,956	7,233	7,399
Finance lease obligations	1,848	297	489	531	531
Minimum lease payments under noncancellable operating leases(1)					
Lease of land and buildings	5,661	857	1,356	1,039	2,409
Lease of Cars, Office Equipment etc	145	70	64	10	1
Lease of Sat- and Network capacity	1,184	435	458	178	113
Committed purchase obligations(1)					
Purchase of Sat- and Network capacity	904	803	75	18	8
IT-Related Agreements	887	407	305	162	13
Other contractual obligations	1,356	599	581	146	30
Committed investments					
Properties and equipment	1,456	1,447	9		
Other contractual investments	888	722	166		
Total contractual cash obligations	51,528	17,248	14,459	9,317	10,504
Guarantees (expire)	2,498	2,000	344	148	6

(1) The table does not include agreements under which we have no binding obligation to purchase or future investments required under the UMTS licenses awarded to us in Norway, Denmark and Hungary.

Of the finance lease obligations in the table, NOK 952 million relate to leases for the Thor II and III satellites. We have covenants on these leases that grant the other party the right, if Telenor ASA is downgraded, to require us to either pledge the assets or terminate the leases. As of December 31, 2005, we had a waiver that the change made by one of the rating agencies at the end of 2005 to A- with negative outlook was not regarded to be a breach.

We have treated the lease financing arrangements as mortgages as though these were already secured.

You should read [Capital Resources](#) and note 22 to our consolidated financial statements for additional information on our interest-bearing liabilities and note 27 for additional information on our contractual obligations and note 34 for additional information on our guarantees.

In addition, we entered into cross border QTE leases for telephony switches, GSM Mobile network and fixed-line network in 1998, 1999 and 2003. Each of these agreements provide for a defeasance of all amounts due by us to the other parties under the leases. As of December 31, 2005, a defeasance of USD 902 million was deposited with highly rated financial institutions and in US government related securities. Our leasing obligations are offset against our defeasance arrangements in the balance sheet and are not included in the table above. We also provided guarantees in connection with these cross border QTE leases. You should read [Off Balance Sheet Arrangements](#) for additional information on our QTE leases.

Table of Contents**INFORMATION ABOUT CAPITAL RESOURCES**

We will use cash flow from operations, debt, equity financing and proceeds from potential disposals of assets to finance our future investments. You should read note 22 and 23 to our consolidated financial statements for additional information on our interest bearing liabilities, note 34 for pledges, note 30 and 31 for share option plans and the employee stock ownership program and note 32 for equity financing. You should also read note 32 for information on the authority to the Board of Directors to acquire own shares and our agreement with the Kingdom of Norway regarding buyback of shares.

We issue debt in the domestic and international capital markets mainly in the form of commercial paper and bonds. We use our Euro commercial paper program, U.S. commercial paper program, Euro medium term note program and three domestic open bond programs, all with different maturities. In order to have satisfactory access to these external sources of financing in terms of both volume and price we should maintain a satisfactory credit rating. Our long term and short-term credit rating is A2/P-1 with review for possible downgrade from Moody's and A-/A-2 with Negative Outlook from Standard & Poor's.

In order to secure satisfactory financial flexibility we established two committed syndicated revolving credit facilities in 2005, which includes a Euro 1.5 billion facility with a maturity in 2012 and another credit facility of Euro 1 billion maturing in 2007. In accordance with our financing policy, these committed credit facilities should be available to serve at any time as refinancing source for all of our outstanding commercial paper.

OFF BALANCE SHEET ARRANGEMENTS

Our off balance sheet arrangements mainly consist of guarantees issued in connection with our operations. The reasons to issue the guarantees are stated in the discussion of each material guarantee arrangement that is found in note 34 to the consolidated financial statements.

We also have some associated companies that according to US GAAP are defined as Variable Interest Entities (VIEs) that are not consolidated. You should read note 38 to our consolidated financial statements for more information our VIEs.

In addition to the amounts included in the table below, we have provided guarantees for the payment of all lease obligations undertaken by two Telenor subsidiaries under three cross border QTE leases. As of December 31, 2004 and 2005, the total gross amount of the guarantees amounted to NOK 7,240 million (USD 1,070 million) and NOK 6,459 million (USD 1,070 million), respectively. We have provided a defeasance of all amounts due by us under the QTE lease agreements with highly-rated financial institutions and US government related securities. You should read notes 16, 22, 23 and 38 to our consolidated financial statements for additional information on these leases.

The following table relates to our other guarantees as of December 31, 2005. Guarantees where the resulting liability is included in the balance sheet are not included in the following table.

	Total	Expire less than 1 year (2006)	Expire 2-3 years	Expire 4-5 years	Expire over 5 years
	(NOK in millions)				
Guarantee liabilities	2,498	2,000	344	148	6

You should read note 34 to our consolidated financial statements for additional information on our guarantees.

CRITICAL ACCOUNTING ESTIMATES UNDER IFRS

The preparation of financial statements in accordance with generally accepted accounting principles, such as IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial

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statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Certain amounts included in or affecting our financial statements and related disclosure must be estimated, requiring us to make assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared. A critical accounting estimate is one which is both important to the portrayal of the company's financial condition and results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We evaluate such estimates on an ongoing basis, based upon historical results and experience, consultation with experts, trends and other methods we consider reasonable in the particular circumstances, as well as our forecasts as to how these might change in the future.

Revenue recognition. The main part of our revenues is based on usage, such as traffic or periodic subscriptions. We have many subscribers and offer a number of different services with different price plans. We provide discounts of various types, often in connection with different campaigns. We also sell wholesale products to other operators and vendors within the different countries and across borders. We have to make a number of estimates related to recognizing revenues. To some extent, we have to rely on information from other operators on amounts of services delivered. For some services, the other parties may dispute the prices we charge. We then make estimates of the final outcome. Some revenue is recorded in the balance sheet as deferred revenue (e.g. some connection fee). We have to estimate the average customer relationship as the deferral period.

Impairment. We have made significant investments in property, plant and equipment, intangible assets and goodwill, associated companies and other investments. These assets and investments are tested for impairment when circumstances indicate there may be a potential impairment. Factors we consider important which could trigger an impairment review include the following; significant fall in market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of our assets or the strategy for our overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use; significant negative industry or economic trends; and significant cost overruns in the development of assets.

Estimating recoverable amounts of assets and companies must in part be based on management evaluations, including estimates of future performance, revenue generating capacity of the assets, assumptions of the future market conditions and the success in marketing of new products and services. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods.

Depreciation and amortization. Depreciation and amortization is based on management estimates of the future useful life of property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortization or depreciation charges. Technological developments are difficult to predict and our views on the trends and pace of development may change over time. Some of our assets and technologies, in which we invested several years ago, are still in use and provide the basis for our new technologies. For example, our copper cables and infrastructure in our fixed networks are used as the basis for the rollout of our xDSL technology and lines. In our mobile business, the development and launch of UMTS technology and services have been slower than the telecommunications industry anticipated a few years ago. We review the future useful life of property, plant and equipment and intangible assets periodically taking into consideration the factors mentioned above and all other important factors. Estimated useful life for similar type of assets may vary between different entities in the Group due to local factors as growth rate, maturity of the market, history and expectations for replacements or transfer of assets, climate and quality of components used. In case of significant changes in our estimated useful lives, depreciation and amortization charges are adjusted prospectively. As of January 1 2005, we made some changes in our estimated useful lives for some of our assets especially for some components in our networks, as discussed in note 15 to our consolidated financial statements.

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Business combinations. We are required to allocate the purchase price of acquired companies to the assets acquired and liabilities assumed based on their estimated fair values. For our larger acquisitions, we have engaged independent third-party appraisal firms to assist us in determining the fair values of the assets acquired and liabilities assumed. Such valuations require management to make significant estimates and assumptions. The significant purchased intangible assets recorded by Telenor include customer contracts, brands, licenses, service concession rights, roaming agreements and software. Critical estimates in the evaluations of useful lives for such intangible include, but are not limited to, estimated average customer relationship based on churn, remaining license or concession period, expected developments in technology and markets. The significant tangible assets include primarily networks. Critical estimates in valuing certain assets include, but are not limited to, future expected cash flows for customer contracts, licenses and roaming agreements replacement cost for brands and property, plant and equipment. Management's estimates of fair value and useful lives are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

Income taxes. We write down deferred tax assets to an amount that is more likely than not to be realized. Our write-downs related primarily to losses carried forward in some of our foreign operations. While we have considered future taxable income and feasible tax planning strategies in determining the write-downs, any difference in the amount that we ultimately may realize would be included as income in the period in which such a determination is made.

In previous years, we have realized significant tax losses on shareholdings, both through liquidation and sale of shares to third parties and between companies in our group. Even though we believe that these tax losses are tax deductible, the tax authorities have challenged our evaluations in connection with some of our transactions. Generally, when new rules are introduced there may be disagreements on the interpretation of the new rules and the transitional rules. You should read note 13 to our consolidated financial statements, for additional information on our uncertain tax positions.

Pension costs, pension obligations and pension plan assets. Calculation of pension costs and net pension obligations (the difference between pension obligations and pension plan assets) are made based on a number of estimates and assumptions. Changes in, and deviations from, estimates and assumptions (actuarial gains and losses) affect fair value of net pension liabilities, but are not recorded in our financial statements unless the accumulated effect of such changes and deviations exceed 10% of the higher of our pension benefit obligations and our pension plan assets at the beginning of the year. When implementing IFRS as at January 1, 2004 we recognized all actuarial gains and losses. In note 7 to our consolidated financial statements, we have included a sensitivity analysis for changes in certain actuarial assumptions.

Legal proceedings, claims and regulatory discussions. We are subject to various legal proceedings, claims and regulatory discussions, the outcomes of which are subject to significant uncertainty. We evaluate, among other factors, the degree of probability of an unfavourable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require us to increase or decrease the amount we have accrued for any matter or accrue for a matter that has not been previously accrued because it was not considered probable or a reasonable estimate could not be made.

OTHER INFORMATION**Inflation**

Our results in recent years have not been substantially affected by inflation. Inflation in Norway as measured by the consumer price index during the years ended December 31, 2004 and 2005 was 0.4% and 1.5% respectively.

IFRS compared with U.S. GAAP

Our consolidated financial statements have been prepared in accordance with IFRS, which differs from U.S. GAAP in several respects. Our first IFRS financial statements are for the year ending December 31,

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2005, and include the comparative period for 2004. We have prepared a reconciliation of our profit from total operations attributable to equity holders of Telenor ASA (net income) for the years ended December 31, 2004 and 2005, and of our shareholders' equity.

The significant differences between IFRS and U.S. GAAP affecting our net income and shareholders' equity are described in note 38 to our audited consolidated financial statements.

Under U.S. GAAP, net income for the years ended December 31, 2004 and 2005 would have been NOK 5,639 million and NOK million 7,427, respectively, as compared to, NOK 6,093 million and NOK 7,646 million, respectively, under IFRS.

Table of Contents**ITEM 6: DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****DIRECTORS AND SENIOR MANAGEMENT**

The management of Telenor is vested in board of directors and President and CEO. The President is responsible for the day-to-day management of the company in accordance with the instructions, policies and operating guidelines set out by the board of directors. The articles of association specify that the board of directors shall consist of between five and eleven members. Board of directors consists of ten directors, three of which are employee representatives. You should read Item 4: Information on the Company Regulation Gender Equality for information on Norwegian legislation regarding the composition of a company's board of directors. Telenor currently complies with such legislation.

The members of the board of directors (excluding employee representatives) are elected by the corporate assembly.

Directors and executive officers of the Company are identified below. The address of the directors and executive officers is c/o Telenor ASA, at the corporate headquarters in Fornebu, Norway.

Board of Directors

Name	Address	Born	Positions	Expiration of current term
Thorleif Enger	Oslo	1943	Chairman	Spring 2007
Björg Ven			Deputy	
	Oslo	1946	Chairman	Spring 2007
Hanne de Mora	Erlenbach, Switzerland	1960	Director	Spring 2007
John Giverholt	Oslo	1952	Director	Spring 2007
Liselott Kilaas	Oslo	1959	Director	Spring 2007
Jørgen Lindegaard	Copenhagen, Denmark	1943	Director	Spring 2007
Paul Bergqvist	Vikbolandet, Sweden	1946	Director	Spring 2007
Harald Stavn(1)	Kongsberg	1954	Director	Fall 2007
Per Gunnar Salomonsen(1)	Skien	1954	Director	Fall 2007
Irma Tystad(1)	Trysil	1943	Director	Fall 2007

(1) Elected by the employees.

Thorleif Enger was elected to the board on October 1, 2001 and was made Chairman on March 6, 2003. He is chief executive officer of Yara International ASA. He began working for Norsk Hydro in 1973 and has held a number of positions in the company. Mr. Enger is a member of ABB's corporate assembly and a member of Ruhrgas Supervisory Board. He has a doctorate in structural engineering from the University of Colorado.

Björg Ven was elected to the board on October 1, 2001. She is a solicitor with attendance rights at the Supreme Court in Norway, and since 1980 has been a partner in the law firm, Haavind Vislie, in Oslo. She is chairman of the appeal board of the Oslo Stock Exchange and the appeal board for Public Acquisitions. Ms. Ven is substitute judge at the EFTA court in Luxembourg.

Hanne de Mora was elected to the board on June 18, 2002. Her work experience includes Den norske Creditbank in Luxembourg and Procter & Gamble in Geneva and Stockholm. She has been a partner with McKinsey & Company since 1996. Since June 2002, she has run her own management resource firm in Switzerland. She has an MBA from the IESE Business School in Barcelona.

John Giverholt was elected to the board on May 8, 2003. He is presently chief financial officer of Ferd AS and has previously held leading positions in Arthur Andersen, Actinor, Norsk Hydro, DnB and Orkla. He has a B.Sc. from the University of Manchester, England and is a state authorized public accountant in Norway.

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Liselott Kilaas was elected to the board on May 8, 2003. She is presently managing director of Zenitel ASA. She has previously held leading positions in the oil industry, PA Consulting Group and Stento AS and is currently a board member of Norges Bank. She has a M.Sc. from the University of Oslo and an MBA from the International Institute for Management Development (IMD) in Lausanne.

Jørgen Lindegaard was elected to the board on October 1, 2001. He is the chief executive officer of the airline company SAS. Lindegaard's background is in the telecommunications industry, and since 1975 he has held managerial positions at Fyns Telefon A/ S, København Telefon A/ S and TeleDanmark A/ S. He was chairman of the board of Sonofon Holding A/ S until 2004. Mr. Lindegaard is a telecommunications engineer and a member of The Academy for Technical Sciences in Denmark and Norway.

Paul Bergqvist was elected to the board on April 7, 2005. He is Executive Vice President and Deputy CEO of Carlsberg Sweden A/ S. Since 1971, he has held managerial positions in a number of industrial companies, including Husqvarna and Pripps/ Ringnes/ Carlsberg. Mr. Bergqvist has also served as a director for a number of international companies. He has a B.Sc in Engineering and has studied Economics at the MBA-level.

Harald Stavn was elected to the board on June 20, 2000 as an employee representative. Mr. Stavn joined Telenor in 1974 and has held various engineering positions. He is a board member of Telenor Pensjonskasse (Pension Fund), member of the executive board of NITO (the Norwegian Society of Engineers) and employee representative for NITO in Telenor. Mr. Stavn has a technical education from the Technical College of Norwegian Telecom and was also educated as a business economist at Handelshøyskolen BI (the Norwegian School of Management) in Oslo.

Per Gunnar Salomonsen was elected to the board on November 1, 2000 as an employee representative. Mr. Salomonsen began working for Telenor in 1973. He has held various positions in Telenor, most recently as operations engineer. From 1995 to 2000, he was a board member of Telenor Nett. Mr. Salomonsen is a group employee representative for the Norwegian trade union EL & IT Forbundet. He is an engineer.

Irma Tystad was elected to the board of directors on June 20, 2000 as an employee representative. Ms. Tystad began working for Telenor in 1962 and has served as a board member of Telenor Plus since 1995 and of Telenor Pensjonskasse (Pension Fund) since 1997. She is the group employee representative for Kommunikasjonsforbundet (Union of Communications). Ms. Tystad is a graduate of the Technical College of Norwegian Telecom and has subsequently studied business and management.

Board Practices**Compensation Committee**

In December 2000, board of directors established a compensation committee consisting of the Chairman and two members to be elected among the other shareholder-elected board members. The Compensation Committee consists of Thorleif Enger (chairman), Paul Bergqvist and Liselott Kilaas. President and CEO Jon Fredrik Baksaas and the head of Group Human Resources are also invited to attend at the request of the committee. The primary responsibility of the committee is to discuss and provide proposals to the board of directors with respect to compensation practices for the CEO, Group Executive Management, and the general compensation policy for other employees. The committee meets on average two to four times a year.

Audit Committee

In September 2003, an audit committee was established and is currently composed of three members of the board. John Giverholt, chairman, Hanne de Mora and Bjørg Ven are the members elected by the board of directors to serve on the audit committee. The audit committee's task is to support the board of directors in fulfilling their responsibilities with respect to financial reporting, internal accounting controls and auditing matters while reporting to the board of directors in connection with the related procedures on an annual basis. Concerning auditing matters, the audit committee has the responsibility for making recommendations to the board and the general assembly regarding the appointment, retention, termination and fees of the external auditors. The audit committee is also responsible for fulfilling the responsibilities set forth in the Audit and

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Permitted Non-Audit Services Pre-Approval Policies and Procedures. For more information on these procedures, you should read Item 16C: Principal Accountant Fees and Services . Moreover, the audit committee assists the board in the management of operational and financial risks. The audit committee is responsible for dealing with complaints regarding accounting, internal accounting controls or auditing matters. The members of the audit committee shall meet when the members deem it appropriate but shall at a minimum, conduct a meeting three times a year. The Chief Executive Officer and/or other members of management may be requested to attend meetings, as necessary. Mr. Giverholt has been designated as the audit committee s financial expert. For more information on this designation, you should read Item 16A: Audit Committee Financial Expert .

Group Executive Management

Name	Address	Born	Position
Jon Fredrik Baksaas	Sandvika	1954	President and CEO
Trond Ø. Westlie	Jar	1961	Executive Vice President and CFO
Arve Johansen	Oslo	1949	Senior Executive Vice President and Head of Telenor Asia
Morten Karlsen Sørby	Karlstad	1959	Executive Vice President and Head of Telenor Nordic
Jan Edvard Thygesen	Nesbru	1951	Executive Vice President and Head of Telenor Central and Eastern Europe
Stig Eide Sivertsen	Oslo	1959	Executive Vice President and Head of Telenor Broadcast
Bjørn Magnus Kopperud	Drammen	1955	Executive Vice President and Head of Group Human Resources
Ragnar H. Korsæth	Oslo	1966	Executive Vice President and Head of Global Coordination

Jon Fredrik Baksaas, President and CEO has been President and CEO of Telenor since June 21, 2002. Mr. Baksaas joined Telenor in 1989. During his employment with Telenor, Mr. Baksaas has held positions in TBK A/S (our 100% subsidiary) as Finance Director, Executive Vice President and CEO before becoming Group CFO in November 1994. In 1997, he was made Deputy CEO. Before joining Telenor, Mr. Baksaas held finance-related positions in Aker AS, Stolt-Nielsen Seaway and Det norske Veritas. He is a board member of Svenska Handelsbanken AB. Mr. Baksaas holds a Master of Science in Business Administration from the Norwegian School of Economics and Business Administration in Bergen and has additional qualifications from IMD in Lausanne, Switzerland.

Arve Johansen, Senior Executive Vice President/ Deputy CEO and Head of Telenor Asia has served as Senior Executive Vice President/ Deputy CEO and Head of Telenor Asia since January 2006. Mr. Johansen joined Telenor in 1989 and has held a number of positions in the Group. He has served as Senior Executive Vice President and Head of Mobile from 1999 to 2005 and was Chief Executive Officer of Telenor International AS from its inception in 1993 to 1999. Prior to joining Telenor, Mr. Johansen was employed at EB Telecom (Ericsson Norway), where he served as Executive Vice President and at the Norwegian Institute of Technology, as a research engineer at ELAB. Mr. Johansen received his M.Sc in Electrical Engineering (Telecommunications) from the Norwegian Institute of Technology in 1973 and participated in the Program for Management Development at Harvard Business School in 1988.

Trond Ø. Westlie, Executive Vice President and Chief Financial Officer (CFO) has been Director of Finance at Telenor ASA. He is a state authorized public accountant in Norway. Mr. Westlie joined Telenor in 2004, coming from Aker Kværner ASA, previously Aker Maritime ASA, where he was Executive Vice President and CFO. He has previously held a number of positions at Aker RGI ASA, including Executive Vice President Business Development and Senior Vice President Investor Relations. Mr. Westlie has also held managerial positions in auditing departments at KPMG (Norway) and Richard Eisner & Co (New York).

Morten Karlsen Sørby, Executive Vice President and Head of Telenor Nordic has served as Executive Vice President since January 2003. Since January 2005, he has held the position as Head of Telenor Nordic. Mr. Karlsen Sørby joined Telenor in 1993 and has since held a number of senior positions in

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Telenor, including Deputy Chief Executive Officer of Telenor Mobile and General Manager of Telenor International AS. He has previously worked at Arthur Andersen & Co in Oslo. Mr. Sørby holds a M.Sc in Business administration and is a state authorized public accountant in Norway. He also has qualifications from IMD.

Jan Edvard Thygesen, Executive Vice President and Head of Telenor Central and Eastern Europe has served as Executive Vice President since 1999. Since January 2006, he has served as Head of Telenor Central and Eastern Europe. Since joining Telenor in 1979, Mr. Thygesen has held various senior positions, including Chief Executive Officer of Sonofon, Executive Vice President and General Manager of Telenor Nordic Mobile, Executive Vice President of Telenor Mobil, President of Telenor Invest AS, Executive Vice President of Telenor Bedrift AS and President of Telenor Nett AS. He has also served as President of Esat Digifone and Televerket. Mr. Thygesen holds a B.Sc in Electronics and Telecommunications from the Norwegian Institute of Technology.

Stig Eide Sivertsen, Executive Vice President and Head of Telenor Broadcast has served as Executive Vice President since 1999. He is Head of Telenor Broadcast. Mr. Sivertsen joined the Company in 1997 as the Director of Finance and chief accountant for Telenor Link AS. Mr. Sivertsen previously held positions as Chief Executive Officer of Nettavisen AS and Chief Financial Officer of Petroleum Geo-Services ASA and Schibsted ASA. Mr. Sivertsen holds elementary and supplementary degrees in law from the University of Bergen and a Master of Business Administration from Durham University.

Bjørn Magnus Kopperud, Executive Vice President and Head of Group Human Resources has served as Executive Vice President since January 2006. Since 2003 he has served as Head of Group Human Resources. Mr. Kopperud joined Telenor in 1994 and has held a number of senior positions at Telenor, including Executive Vice President of Telenor Mobile AS, Managing Director at Telenor Global Services AS and Managing Director at Telenor Global AS. Mr. Kopperud holds a Master of Science in Computer Science from the Norwegian Institute of Technology and has additional qualifications from Business Management studies at both IMD and INSEAD.

Ragnar H. Korsæth, Executive Vice President and Head of Global Coordination has served as Executive Vice President and Head of Global Coordination since January 2006. Mr. Korsæth joined Telenor in 1997 and has held a number of senior positions, including Chief Operating Officer of Telenor International Mobile, Chief Financial Officer of Telenor Mobile and Finance Director at Telenor International. Mr. Korsæth holds a Master of Science in Business Administration from the Norwegian School of Economics and Business Administration in Bergen and has additional qualifications as Certified Financial Analyst (EFFAS) from the Norwegian School of Business and Administration in Bergen.

Corporate Assembly

The corporate assembly consists of 15 members. The General Meeting elects ten members with three alternates. The employees elect an additional five members and two observers, all with alternates. A member of the corporate assembly (other than a member elected by employees) may be removed by the shareholders at any time without cause.

The corporate assembly has a duty to supervise the board of directors and the President and CEO in their management of the company. Under Norwegian law, the corporate assembly has a fiduciary duty to the shareholders.

One of the principal functions of the corporate assembly is to elect and remove the board of directors. Up to one-third of the members of the board of directors, but in no event less than two persons, including alternates shall be elected among the employees if one-third of the corporate assembly members demand it.

Half of the members elected by the employees may request that the board members shall be elected by the shareholder-elected members and employee-elected members of the assembly voting as separate groups. The members are elected for a term of two years. The current term of the members elected by the employees and general meeting will expire during the spring of 2005. The approval of the corporate assembly is required

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for significant investments as well as for substantial changes to operations that affect the number or allocation of employees on the recommendation of the board of directors.

Set forth below is a list of the current members of the corporate assembly.

Name	Address	Position
Jan Erik Korssjøen	Kongsberg	Chairman
Marianne Lie	Stabekk	Deputy Chairman
Hanne Harlem	Oslo	Member
Randi Braathe	Rygge	Member
Jostein Devold	Kristiansand	Member
Arne Jenssen	Trondheim	Member
Hans Olav Karde	Tromsø	Member
Berit Kopren	Stavanger	Member
Nils-Edvard Olsen	Kirkenes	Member
Stein Erik Olsen	Flaktveit	Member
Jan Riddervold	Lillehammer	Member
Signe Marie Jore Ritterberg	Oslo	Member
Stener Johannes Lium	Ranheim	Member
Inger-Grethe Solstad	Stavanger	Member
Astri Skare	Bergen	Member

Election Committee

Telenor has an election committee that makes recommendations to the general meeting regarding the election of shareholder-elected members of the corporate assembly and their alternates. The committee consists of four members who are shareholders or representatives of shareholders. The chairman of the corporate assembly is a permanent member of the committee and acts as its chairman. Two members are elected by the general meeting and one member is elected by and from the corporate assembly's shareholder-elected members. Each member is elected for a two-year term.

Compensation of the Board of Directors, Corporate Assembly and Group Management

All of the amounts disclosed below exclude social security tax payments.

Aggregate remuneration, taxable income, for the Group Executive Management (GEM) for 2005 was NOK 21,283,636 (Torstein Moland is included until September 15, 2005 and Trond Westlie is included from September 15, 2005). In addition, Telenor's pension cost for GEM members was NOK 6,831,000. The aggregate remuneration for the Board of Directors and the Corporate Assembly for 2005 was NOK 2,216,027 and NOK 461,641 respectively. In addition, remuneration for the audit, compensation and nomination committees was in total NOK 267,000. The members of the Board of Directors have no agreements which entitles them to extraordinary remuneration in the event of termination or change of office or agreement for bonus, profit sharing, options or similar. In 2005, there has not been any share option program or other long-term incentive plans.

The annual base salary for the president and CEO, Jon Fredrik Baksaas, was NOK 4,000,000 in 2005. Pension costs for the CEO was NOK 1,309,000 (NOK 1,404,000 in 2004), and other benefits were NOK 130,171 in 2005. His total taxable income was NOK 5,169,504 in 2005. Jon Fredrik Baksaas had a bonus agreement for 2005 with a maximum payment of 6 months of annual base salary. In 2003, he was granted 250,000 share options with a maturity of 7 years. In 2002, when he was appointed President and CEO, he was granted 150,000 share options and another 100,000 in the share option program in 2002. Telenor's pension plan gives Mr. Baksaas the right to retire at the age of 60 with a supplementary pension, resulting in a total pension equal to 66% of pension-qualifying income. Pension-qualifying income is restricted to NOK 3,000,000, adjusted annually with the consumer price index. The first adjustment occurred on January 1, 2003. Mr. Baksaas has the right to receive salary for a period of 24 months if Telenor terminates the

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employment, provided that he does not undertake any other employment during such period, in which case the payment would be reduced by 75% of the salary for the new employment. There will be no holiday payment on this amount. The agreed period of termination notice is six months.

The table below gives information about each member of GEM. Information regarding the CEO, Jon Fredrik Baksaas is provided above.

Name/title	Agreed period of notice	Severance Pay	Pension benefits
Senior Executive Vice President Arve Johansen(1)	6 months	6 months	66% of Pension-qualifying income at the date of retirement with the right to retire at the age of 60. The Pension-qualifying income will be equal to the salary of December 31, 2004 with an annual regulation according to the consumer price index.
Executive Vice President, Trond Ø. Westlie	6 months	6 months	66% of pension-qualifying income up to 12G. Defined contribution plan with 30% of salary above 12G.
Executive Vice President Stig Eide Sivertsen	6 months	6 months	66% of Pension-qualifying income at the date of retirement with the right to retire at the age of 62. The Pension-qualifying income will be equal to the salary of December 31, 2004 with an annual regulation according to the consumer price index.
Executive Vice President Jan Edvard Thygesen	6 months	No	66% of Pension-qualifying income at the date of retirement with the right to retire at the age of 62. The Pension-qualifying income will be equal to the salary of December 31, 2003 with an annual regulation according to the consumer price index.
Executive Vice President Morten Karlsen Sørby	6 months	6 months	66% of Pension-qualifying income at the date of retirement with the right to retire at the age of 62. The Pension-qualifying income will be equal to the salary of December 31, 2002 with an annual regulation according to the consumer price index.
Executive Vice President Ragnar H Korsæth(2)	6 months	6 months	66% of Pension-qualifying income at the date of retirement with the right to retire at the age of 65. The Pension-qualifying income will be equal to the salary of December 31, 2002 with an annual regulation according to the consumer price index.
	6 months	6 months	66% of Pension-qualifying income at the date of retirement with the right to retire at the age of 65. The Pension-qualifying income will be equal to the salary of December 31, 2002 with an annual regulation according to the consumer price index.

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Name/title	Agreed period of notice	Severance Pay	Pension benefits
Executive Vice President Bjørn Magnus Kopperud(2)	6 months	6 months	66% of Pension-qualifying income at the date of retirement with the right to retire at the age of 62. The Pension-qualifying income will be equal to the salary of December 31, 2002 with an annual regulation according to the consumer price index.

(1) Arve Johansen has an agreement which entitles him to a possible transfer to other positions within the organization with the right to be compensated by an amount equal to half their salary. These agreements relate to a specified time period up to the age of retirement. The future pension benefits are based on the salary at the time of transfer.

(2) Joined the GEM in January 2006.

Members of GEM are also eligible for annual bonus payments, with a maximum bonus equal to 6 months of annual base salary in 2004. If the target is reached (under any given bonus criteria), 50% of the bonus is paid. 100% of the bonus may only be paid as a result of exceptional financial performance exceeding budget.

Incentive Programs

The GEM is offered a combination of annual bonus and share options, providing both short- and long-term incentives. Annual bonus is also used as an incentive for other managers and key personnel. A limited group has also been granted Telenor share options.

Telenor granted share options on February 21, 2002, February 21, 2003 and February 23, 2004. In addition, 150,000 options were granted to the President and CEO on June 21, 2002. In 2002, 85 managers and key personnel were granted options, and in 2003, 110 managers and key personnel were granted options. In 2004, only a limited group of 12 new executives and managers were granted options.

Options granted in 2002: One third of the options vest in each of the three years subsequent to the date of grant. The latest possible exercise date is seven years subsequent to the date of grant. The exercise price corresponds to the average closing price on the Oslo Stock Exchange for the five trading days prior to the date of grant, increasing by an amount each month corresponding to 1/12 of 12 months NIBOR (Norwegian Interbank Interest Rate). The options may only be exercised four times a year, during a ten-day period after the publication of the previous quarterly results. For options granted on February 21, 2002, the price at end of exercise life will be NOK 50.96 (based on 12 months NIBOR on February 21, 2002). For options granted to Mr. Jon Fredrik Baksaas on June 21, 2002, the price at end of exercise life will be NOK 42.12 (based on 12 months NIBOR on June 21, 2002).

Options granted in 2003 and 2004: One third of the options vest in each of the three years subsequent to the date of grant and are exercisable if the stock price at the time of exercise is higher than the average closing price on the Oslo Stock Exchange for the five trading days prior to the date of grant, adjusted by 5.38% per year. The latest possible exercise date is seven years subsequent to the date of grant. The exercise price corresponds to the average closing price on the Oslo Stock Exchange five trading days prior to the date

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of grant (NOK 26.44 for 2003 and NOK 48.36 for 2004). The options may only be exercised four times a year during a ten-day period after the publication of the quarterly results.

Share Options Telenor ASA	Share options	Estimated fair value at grant date (per share option)	Average exercise price at the end of option life (1)
Options granted in 2002 (21 February)	2,520,000	7.28	50.96
Options granted in 2002 (21 June)	150,000	5.99	42.12
Options forfeited in 2002	55,000		50.96
Balance at 31 December 2002	2,615,000		50.45
Options granted in 2003	2,850,000	8.36	26.44
Options forfeited in 2003	290,000		32.36
Options exercised in 2003	71,667		50.96
Balance at 31 December 2003	5,103,333		38.06
Options granted in 2004	380,000	11.89	48.36
Options forfeited in 2004	45,000		26.98
Options exercised in 2004	1,027,994		36.28
Balance at 31 December 2004	4,410,339		33.97
Options granted in 2005			
Options forfeited in 2005	145,000		44.98
Options exercised in 2005	1,237,675		33.11
Balance at 31 December 2005	3,027,664		34.11

(1) Exercise price for the share option programs of 2002 are calculated at the latest possible date of exercise, and based on 12 month NIBOR, implied forward rates calculated of the spot curve (February 20, 2006, and June 20, 2005). For the share option programs of 2003 and 2004, the exercise prices are fixed throughout the options terms. The weighted average share price at the date of exercise for share options exercised during 2005 was 58.95 (49.64 in 2004 and 38.50 in 2003).

The table below details Telenor's options outstanding by related option exercise price as of December 31, 2004 and is based on the latest exercise price. All options may be exercised prior to the termination of the plan.

Weighted Average Exercise Price (in NOK)(1)	Options Outstanding	Weighted Average Remaining Life as of December 31, 2005	Options Exercisable as of December 31, 2005(1)	Options Exercisable as of December 31, 2004(1)
41.67(1)(2)	937,667	3.1 years	937,667	913,667
33.32(1)(3)	150,000	3.1 years	150,000	100,000
26.44(4)	1,706,664	4.1 years	906,674	583,328
48.36(5)	233,333	4.8 years	53,333	

- (1) Exercise price for the share option programs of 2002 are calculated at the latest possible date of exercise, and based on 12 month NIBOR, implied forward rates calculated of the spot curve (February 20, 2006, and June 20, 2005). For the share option programs of 2003 and 2004, the exercise prices are fixed throughout the options terms.
- (2) First possible exercise was February 2003 for $\frac{1}{3}$ of the options.
- (3) First possible exercise was July 2003 for $\frac{1}{3}$ of the options.
- (4) First possible exercise was February 2004 for $\frac{1}{3}$ of the options.
- (5) First possible exercise was February 2005 for $\frac{1}{3}$ of the options.

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Upon the exercise of options, Telenor maintains the right to redeem options by paying an amount in cash corresponding to the difference between exercise quotation price and closing price on the day the notification reached the company. The options may be exercised earlier than the end of the option term, as long as they are exercisable.

The following members of the GEM were granted options under the above-mentioned option-programs.

Name	Options Granted on February 21, 2002	Options Granted on June 21, 2002	Options Granted on February 21, 2003
Jon Fredrik Baksaas	100,000	150,000	250,000
Trond Ø. Westlie			
Arve Johansen	100,000		100,000
Jan Edvard Thygesen	75,000		75,000
Stig Eide Sivertsen	75,000		75,000
Morten Karlsen Sørby	70,000		75,000
Bjørn Magnus Kopperud(1)	50,000		50,000
Ragnar H. Korsæth(1)	20,000		30,000

(1) Joined the GEM in January 2006.

None of the members in GEM have been granted additional options subsequent to February 21, 2003.

Pension Benefits

Telenor provides pension benefits to substantially all of the employees in Norway. Currently, Telenor is moving from the defined benefit plan to a new contribution-based plan. Current employees will get to choose between the old and the new plan before June 30, 2006. New employees will enter the defined contribution plan. In addition to the above changes, Telenor has introduced an extended group life insurance to replace the defined benefit spouse's pension.

The defined benefit plan is provided through the foundation Telenor Pension Fund (Telenor Pensjonskasse). We established the fund on January 1, 1988 as part of Statens Pensjonskasse, and as of September 1, 1995 as Telenors Pensjonskasse. On that date, all of the employees who had previously been part of a governmental pension scheme were placed into Telenor's Norwegian pension scheme. Under an arrangement with the government, the government's pension scheme will fund all pension entitlements that were accrued up to September 1, 1995, without any recourse to Telenor.

The amount of benefits provided through the fund is based on the employee's length of service and compensation. Full pension benefits through the fund are 66% (including of Norwegian national insurance) of the employee's final annual salary assuming a minimum of 30 years of service. However, the annual remuneration that determines the pension benefits cannot exceed 12 times the base amount (Grunnbeløp) set by the government. For May 2005, the base amount is NOK 60,699. The Parliament determines the maximum amount of pension benefits annually based on an index linked to an employee's salary. Our long-term anticipation is that the Parliament will increase pension benefits provided through the fund by approximately 3% per year. Under Norwegian law, the Telenor pension fund is treated as a service pension arrangement and, therefore, the premium for the plan is tax deductible. The rules set out by our pension fund are used to calculate the value of the commitments made.

The contribution-based plan provides a defined contribution depending on salary level, up to a certain limit.

In addition to the standard benefits described above, we established a supplementary foundation, the Telenor Pension Fund II, on January 1, 1997 to provide additional benefits to eligible employees pursuant to their employment contracts. Generally, the right to retire under this scheme is at the age of 65, and full

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pension under this scheme is 66% of the employee's annual salary for the part exceeding 12 times the base amount. Eligible employees receive full pension benefits after 20 years of participation in the plan. However, the pension qualifying income is capped at earnings exceeding NOK 1,200,000. Pension qualifying income exceeding NOK 1,200,000 will increase in line with the consumer price index.

The premium payable under the Telenor Pension Fund II is not tax deductible according to Norwegian tax law. As from 2004 the financing of this supplementary pension arrangement was changed and of the total pension benefit of 66% of pension-qualifying income exceeding 12 times the base amount, only ten percent (of the total benefit) financed through premiums to the Telenor Pension Fund II. Consequently, future payments of pension benefits will to a large extent be payable directly from Telenor to the employee subsequent to the date of retirement.

The Telenor Pension Fund II is closed for new members, and a supplementary pension plan based on defined contribution has been implemented. Eligibility criteria is based on base salary level, up to a certain limit.

Exemptions from corporate governance listing requirements under the NASDAQ Marketplace Rules

Pursuant to new rules effective March 3, 2005, a foreign private issuer is no longer required to request an exemption from NASDAQ's corporate governance standards. Notwithstanding that fact, we filed our NASDAQ certification before July 31, 2005 stating our compliance with the new requirements for audit committee composition, audit committee charter, nominating committee charter, executive sessions and code of conduct for foreign private issuers.

The composition of our Board of Directors is consistent with the requirements of NASDAQ Marketplace Rules. Members of our Board of Directors and Audit Committee are independent and do not consist of members of our management. In compliance with Norwegian law however, three members of our Board of Directors are also employees with alternates in the event the employee can not attend a board meeting.

Our articles of association do not provide any quorum requirement that is generally applicable to general meetings of our shareholders. This absence of a quorum requirement is in accordance with Norwegian law and generally accepted business practices in Norway. Accordingly, we were granted an exemption with respect to the quorum requirement under Rule 4350(f), which requires each issuer to provide for a quorum as specified in its by-laws for any meeting of the holders of common stock, which shall in no case be less than 33¹/₃ % of the outstanding shares of a company's common voting stock.

Regarding audit committee approval of related party transactions, Norwegian law and practice as well as our codes of conduct provide for certain alternative safeguards. For example: there are restrictions on directors' actions in situations where conflicts of interest arise; there is a requirement under Norwegian corporate law for the board of directors, which is composed of non-executive directors, to approve material transactions, including material related party transactions; certain material transactions with shareholders require approval by our shareholders; intra-group transactions are required to be on an arm's length basis and, if they are material, to be approved by the shareholders; and business relationships with Norwegian governmental authorities must comply with certain public procurement rules aiming at equal treatment of suppliers, transparency and competition. In July 2004, we were granted an application for exemption from the recently adopted NASDAQ requirements relating to audit committee approval of related party transactions under Rule 4350(h) and shareholder approval of equity compensation plans under Rule 4350(i) with NASDAQ in accordance with Rule 4350(a).

As to the requirement of shareholder approval of equity compensation plans, although equity compensation plans as such are not required to be submitted to the vote of our shareholders, under Norwegian law our board of directors is required to seek shareholder's authorization to issue new shares, including shares to be issued pursuant to our equity compensation plans. Consequently, our shareholders exercise control over the number of shares which can be issued under such plans and, as a consequence, their potentially dilutive effect.

Table of Contents**EMPLOYEES**

As of December 31, 2005, we had 27,600 full-time equivalent employees, of whom we employed 10,900 in Norway and 16,700 outside Norway. During 2005, the number of full-time equivalent employees decreased by 500 from our operations in Norway and increased by 7,200 full-time equivalent employees from our operations outside Norway.

The number of our full-time equivalent in operations as of the date indicated are:

Business Area	Number of employees(1)			Number of employees(1)			Number of employees(1)		
	December 31, 2003			December 31, 2004			December 31, 2005		
	Norway	Outside Norway	Total	Norway	Outside Norway	Total	Norway	Outside Norway	Total
Telenor Mobil Norway	1,590		1,590	1,413		1,413	1,378		1,378
Sonofon Denmark					1,343	1,343		1,206	1,206
Kyivstar Ukraine		1,269	1,269		1,880	1,880		2,685	2,685
Pannon GSM Hungary		1,499	1,499		1,384	1,384		1,319	1,319
DiGi.Com Malaysia		1,450	1,450		1,549	1,549		1,603	1,603
GrameenPhone Bangladesh		829	829		1,147	1,147		2,731	2,731
Other mobile operations		21	21		462	462		4,848	4,848
Fixed	5,399	634	6,033	5,008	643	5,651	4,816	1,172	5,987
Broadcast	599	210	809	552	222	774	553	255	808
Other Operations	4,412	1,538	5,950	4,427	870	5,297	4,153	881	5,035
Total	12,000	7,450	19,450	11,400	9,500	20,900	10,900	16,700	27,600

(1) Full-time equivalents

In Norway the Telenor Group is a member of the employer's association NHO (Confederation of Norwegian Business and Industry). Joint consultation and cooperation with the trade unions are governed through the Principal Agreement of our employer association, central agreements of cooperation and agreements in the individual business units or companies. Cooperation is also formalized through forums such as the group committee, the joint consultative committee and regular management forums. Approximately 55% of the employees are union members. The Corporate Assembly elects the Members of the Board who represent the owners in addition to the Chairman. However, at least a third of the Board Members are elected by and among the employees.

Telenor continually seek to improve the skills and development of our employees in each business areas. Employees participate in various training programs. Telenor's training organizations provides different development programs and cooperate with selected colleges and universities as well as other educational and research institutions in Norway and abroad. Telenor place great emphasis on promoting an atmosphere geared towards learning and sharing of knowledge, with a strong focus on efforts to retain the employees, which are strategically important to the business. An important principle of the personnel policy is to be an attractive and competitive employer as well as to establish value-added remuneration plans.

Total loans to employees were NOK 36 million as of December 31, 2005. NOK 18 million of this is related to the employee share program, in which 3,590 employees in the Nordic countries participated in 2005. The loans for purchase of shares were limited to NOK 5,962 per employee after discount. Loans for purchase of shares are non-interest-bearing and are repaid over 12 months. The rest of the loans were mainly related to the financing of cars purchased by the employees as an alternative to company cars and to loans for house purchase in two of the foreign subsidiaries. No member of our Board of Directors or our Group Executive Management has received loans from the company.

Table of Contents**SHARE OWNERSHIP**

The number of shares owned by the members of the board of directors, the corporate assembly and the group executive management as of March 31, 2006 is shown below. Shares owned by the board of directors and the group management include closely related parties.

The Board of Directors	Number of shares as of March 31, 2006
Thorleif Enger	12,000
Björg Ven	10,000
John Giverholt	
Jørgen Lindegaard	
Hanne de Mora	
Liselott Kilaas	
Paul Bergqvist	
Harald Stavn*	3,844
Per Gunnar Salomonsen*	1,896
Irma Tystad*	813

* Employee Representative on Board of Directors

**Alternates for Employee Representatives
on Board of Directors**

Helge Enger	1,737
Roger Rønning	1,137
Bjørn Andre Anderssen	720
Hjørdis Henriksen	275
Kaare Ingar Sletta	387
Marianne Losnegaard Jensen	

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	Number of shares as of March 31, 2006
The Corporate Assembly	
Jan Erik Korssj�en	
Marianne Lie	
Hanne Harlem	
Randi Braathe	
Jostein Devold	
Arne Jenssen	407
Hans Olav Karde	
Berit Kopren	275
Nils-Edvard Olsen	
Stein Erik Olsen	116
Jan Riddervold	
Signe Marie Jore Ritterberg	
Stener Johannes Lium	
Inger-Grethe Solstad	682
Astri Skare	
Alternates:	
Ingvild Nyb� Holth	
Siri Pettersen Strandn�es	
Esther M. Str�mme	
Francisco Rasmijn	179
Ragnhild Holm	533
Observers:	
Grethe Elin Henriksen-Alves	1,220
Brit �stby Fredriksen	1,730
	Number of shares as of March 31, 2006
The Group Executive Management	
Jon Fredrik Baksaas	57,852
Trond �. Westlie	
Arve Johansen	51,462
Morten Karlsen S�rby	7,794
Jan Edvard Thygesen	56,278
Stig Eide Sivertsen	28,765
Ragnar H. Kors�eth	5,670
Bj�rn Magnus Kopperud	2,777

In order to encourage employee share ownership, employees and the employees of Telenor's Norwegian subsidiaries in which the direct or indirect ownership share was greater than 90% in 2002, 2003 and 2004 have been offered a loan of approximately NOK 6,000 each to buy shares for an aggregate value of up to NOK 7,500 (i.e. a cash discount of 20%). In 2005, this program was extended to all Telenor's permanent employees and the employees of Telenor's Nordic subsidiaries in which the direct or indirect ownership share is greater than 90%. If the average share

price in a 30 days period of trading preceding November 23, 2006 is at least 10% higher than the corresponding average share price preceding November 23, 2005, employees that subscribed for shares in this offer will be allocated bonus shares with a value of NOK 5,000. This

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assumes that the employee is still employed with Telenor and still holds the allocated shares at the end of the period.

Approximately 33% of those who were offered shares accepted the offer and were allocated 116 shares each at a share price of NOK 64.25. This was the average quoted price during the last five days of trading up to and including November 22, 2005.

In November 2005, each plan participant in the 2004 plan still employed with Telenor and still with remaining shareholdings was granted 39 bonus shares amounting to a value of NOK 2,447. These bonus shares were granted as a consequence of a share price increase exceeded 12% from November 2004 to November 2005. The 2004 program granted shares for NOK 2,500 if the share price increase was 12% or more.

In order to link the interest of the shareholders with that of the GEM, the members of our GEM should as a principle own shares in Telenor with a total value of at least one annual base salary. If a member does not own the required number of shares at payment of bonus, at least 20% of the gross bonus amount should be invested in Telenor shares.

ITEM 7: MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Other than as described below, we do not believe that we have undertaken any material transactions or loans with a related party.

RELATIONSHIP BETWEEN TELENOR AND THE KINGDOM OF NORWAY**Background**

Our predecessors and we have been responsible for telecommunications in Norway since 1855, when Telenor was founded as the Norwegian Telegraph Administration. Throughout much of our operating history we have been a state-owned monopoly telecommunications provider in Norway. Since the early 1980s, the Norwegian Telecommunications markets have been gradually opened up to competition, and by January 1, 1998 the Norwegian market was fully opened. As part of the deregulation process, we (under the name Telenor Communications AS) were converted from a public enterprise to a limited company owned 100% by the Kingdom of Norway in 1994. In 1995 we were renamed Telenor. The Kingdom of Norway's ownership of Telenor was previously administered by the Ministry of Transport and Communications. On September 8, 2000, the administration of the Kingdom of Norway's ownership interest in Telenor was transferred to the Ministry of Trade and Industry.

The Kingdom of Norway as a Shareholder

At March 31, 2006, the Kingdom of Norway owned 920,954,183 shares of Telenor, representing approximately 54.4% of our share capital (as diluted for 12,105,182 own shares).

Prior to our initial public offering in December 2000, the Kingdom of Norway owned 100% of our issued share capital, save as described as follows. At our incorporation on July 21, 2000, our share capital, which was entirely owned by the Kingdom of Norway, was NOK 8,400,000,000 divided into 840,000 ordinary shares of NOK 10,000 nominal value each. At an extraordinary general meeting held on November 10, 2000, it was decided to split the shares into shares having a nominal value of NOK 6 each, whereupon our share capital was NOK 8,400,000,000 divided into 1,400,000,000 ordinary shares of NOK 6 nominal value each. At the same time, it was resolved to increase the share capital by NOK 180,000,000 through the issuance of 30,000,000 ordinary shares through a transfer of capital from other paid in capital to share capital (a bonus issue). The Kingdom of Norway waived its right to receive the new shares, which were issued to us as own shares. The treasury shares were intended to be used to grant additional bonus shares to retail investors in Norway pursuant to the initial public offering. In December 2001, 1,896,828 of bonus shares were granted to retail investors in Norway, leaving 28,103,172 of treasury shares owned by Telenor. At the general meeting held on May 10, 2001, our board of directors was given the authority to use

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own shares at its discretion. In July 2004, these shares were cancelled, in accordance with the authority given by the general meeting of our shareholders on May 6, 2004.

In May 2005, we entered into an agreement with the Kingdom of Norway, in connection with the share buyback program authorized by the general meeting of our shareholders on May 20, 2005. The Kingdom of Norway agreed to cancel an amount of its own shares proportional to the amount of Telenor shares which we repurchase in the open market. As a result, its ownership interest will remain unchanged. In July 2005, 23,672,725 shares owned by the Kingdom of Norway were redeemed in connection with the repurchase by Telenor of own shares.

On June 14, 2000, the Storting (the Norwegian parliament) authorized the Norwegian government to sell the Kingdom of Norway's shares in Telenor, provided that it ensures that the Kingdom of Norway's ownership level in Telenor amounts to at least 51%. In 2001, the Storting authorized the Kingdom of Norway to reduce its ownership level to 34% on specific terms. In July 2003, the government sold 270,157,600 shares of Telenor (comprising 250,000,000 shares sold to institutional investors in and outside Norway and 20,157,600 shares sold to retail investors in Norway) and reduced its ownership interest to approximately 62.5% of our share capital.

In March and April 2004, the government sold 170,683,700 shares of Telenor (comprising 170,000,000 shares sold to institutional investors in and outside of Norway and 683,700 shares sold to retail investors in Norway) and reduced its ownership interest to approximately 53.99% of our share capital.

As a majority shareholder, the Kingdom of Norway has the power to control any decision at a meeting of our shareholders requiring a majority vote, including electing a majority of the corporate assembly which in turn has the power to elect our board of directors, as well as approval of the payment of dividends. In addition, as long as the Kingdom of Norway owns more than one-third of the shares in Telenor, it will be able to prevent any amendments to our articles of association.

The Norwegian government has noted that, as one of several shareholders in Telenor, it will concentrate primarily on issues relating to return on capital, capital structure and dividend policy, emphasizing long-term profitable business development and the creation of value for all shareholders. Telenor will be expected to generate capital returns consistent with those of other European companies in the same industry and with an equivalent positioning to that of Telenor. The capital structure and the dividend policy should be conducive to the creation of shareholder value.

The Kingdom of Norway as a Regulator

Our telecommunications activities are regulated primarily by the Electronic Communications Act and the secondary regulations promulgated under it. Under the Electronic Communications Act, the PT, which is an agency of the Norwegian government, has day-to-day responsibility for overseeing the telecommunications sector. The PT reports to the Ministry of Transport and Communications.

Issues related to the government's dual role as owner and regulator have been considered in numerous proposals before the Storting. In order to increase market confidence that the ownership and regulatory roles in the telecommunications sector are organized in an acceptable manner, among other reasons, the Norwegian government transferred the administration of the Kingdom of Norway's ownership interest in Telenor to the Ministry of Trade and Industry on September 8, 2000.

The Kingdom of Norway as a Customer

The departments and agencies of the Kingdom of Norway in the aggregate comprise our largest customer. Generally, we deal with the various departments and agencies of the Kingdom of Norway as separate customers, except that the terms upon which we offer services to government entities are periodically established through a tender process in order to comply with the procurement rules to which the government entities are subject. The provision of services to any one department or agency does not constitute a material part of our revenues. You should read note 28 to our consolidated financial statements for additional information on our relationship with the Kingdom of Norway.

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OTHER RELATED PARTY TRANSACTIONS

We have entered into arrangements with a number of subsidiaries and affiliated companies in the course of our business. Transactions between us and these subsidiaries and affiliated companies are conducted at arms length, meaning on commercially reasonable terms that would also have been agreed by unrelated third parties. We provide a variety of services to these companies, including network services, invoicing and collection services, treasury services, administrative and managerial services.

OTHER INFORMATION

As of March 31, 2006, 2,834,926 ADSs equivalent to 8,504,778 ordinary shares, or approximately 0.50% of the total ordinary shares in issue, were outstanding and were held by three holders. As of March 31, 2006, there was a total of 40,243 record holders of ordinary shares, of whom 174 had registered addresses in the United States and held a total of 144,130,806 ordinary shares (8.45% of the total issued). Since certain ordinary shares are registered in the names of nominees, the number of shareholders of record may not be representative of the number of beneficial owners.

For the number of shares owned by the members of the board of directors, the corporate assembly and the group executive management as of March 31, 2006, you should read Item 6: Directors, Senior Management and Employees Share Ownership . Shares owned by the board of directors and the group management include closely related parties.

ITEM 8: FINANCIAL INFORMATION

FINANCIAL STATEMENTS

See Item 18: Financial Statements .

LEGAL PROCEEDINGS

Telenor is involved in a number of legal proceedings within various forums. Some of these proceedings involve administrative agencies, arbitrations, court cases within the governing jurisdiction and matters before governmental bodies which include minor and material issues that arise out of activities related to Telenor s business.

While acknowledging the uncertainties of litigation, Telenor is of the opinion that based on the information available to date, these matters will be resolved without any material negative significant effects individually or in the aggregate on Telenor s financial position. Provisions have been made to cover unfavorable rulings, judgments, decisions or foreseeable deviations in tax assessments, pending the outcome of appeals by Telenor against these decisions. Furthermore, provisions have been made to cover the expected outcome of the other proceedings to the extent that negative outcomes are likely and that reliable estimates can be made.

You should read Item 4: Information about the Company Regulation for a description of regulatory proceedings and Item 4: Information about the Company Mobile Operations for information relating to our international mobile operations.

Telenor Eiendom Holding AS

In January 2003, Telenor Eiendom Holding AS (previously Telenor Communication AS) initiated proceedings against the Norwegian tax authorities before the Oslo District Court relating to the non-recognition of a tax loss for the fiscal year 2001 deriving from the sale of shares in Sonofon Holding A/ S from Telenor Eiendom Holding AS to Dansk Mobil Holding AS. The disputed amount is approximately NOK 8.6 billion, corresponding to a tax charge of approximately NOK 2.4 billion. Hearings were held before the Oslo District Court in January 2004 and a decision favorable to Telenor Eiendom Holding AS was issued

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on June 14, 2004. The tax authorities appealed the judgment and main proceedings before the Court of Appeal (Borgarting Lagmannsrett) were held on or about November 14 through 18, 2005. On December 21, 2005 a decision was reached and issued by the Borgarting Lagmannsrett Appeals Court in Norway for Telenor Eiendom Holding AS with respect to the intra group sale of Telenor's shares in Sonofon Holding A/S. The taxes were paid in 2003. On or about January 30, 2006, the Norwegian tax authorities appealed the ruling of the Appeals Court to the Supreme Court of Norway. The Supreme Court has not yet decided whether the appeal will be heard. Consequently, Telenor has not taken the tax reduction to income.

Telenor Mobile AS

In November 2003, Sense Communication ASA initiated legal proceedings against Telenor Mobil AS before the Oslo District Court claiming that prices set forth in a service provision agreement for the period 2000-2003 had been excessive and not in accordance with the requirements for cost-oriented pricing. Sense gave notice to the effect that the claim might be recalculated in order to include other relevant years. The Asker and Bærum District Court gave judgment in favor of Telenor Mobil in November 2, 2004 and Sense appealed to the Court of Appeal. Sense (Reitan Gruppen AS, the Sense assignee) presented the claim to the Appeals Court during the 8th through the 16th of February 2006 estimating its claim for NOK 261 million plus interest and legal costs. We expect the Appeals Court to render a decision in April 2006.

In March 2004, Telenor Mobil AS was summoned to appear before the conciliation board in connection with a complaint filed by Tele2. Tele2 has asserted a request for reimbursement of approximately NOK 113 million plus interests and legal costs. Tele2 alleges that prices charged by Telenor Mobil for resale of mobile telephone services under the service provider agreement with Tele2 has not been in accordance with the requirements for cost-oriented pricing and the case has been referred to the District Court for disposition. In May 2005, Tele2 filed their claim and Telenor Mobile has provided its response before the ordinary court in the first instance stating that prices have been in accordance with the requirements of cost oriented pricing. The parties have agreed to suspend the case until clarification of some of the issues determined in the Sense Communication case.

Disputes mentioned in note 24 to the Telenor's financial statements for 2004, for which a verdict has been reached:

The liquidators of Enitel AS initiated legal proceedings against Telenor Telecom Solutions AS and Telenor Mobil AS before the Asker and Bærum District Court. The claim for damages and reimbursement of NOK 121 million plus interest was based on alleged overcharging for leased lines and traffic terminated in our fixed and mobile networks for the period of 1997 to 2001. The court hearings commenced on January 17, 2005. In a judgment from Asker and Bærum District Court dated March 14, 2005, the court dismissed the action against Telenor Telecom Solutions AS and Telenor Mobil AS. On April 14, 2005, the parties settled out of court for an amount significantly less than claim asserted.

ITEM 9: THE OFFER AND LISTING

The principal trading market for our ordinary shares is the Oslo Stock Exchange. The shares have been listed since the initial public offering in December 2000.

Our ordinary shares are also listed on the NASDAQ trading in the form of American Depositary Shares (ADSs) evidenced by American Depositary Receipts (ADRs). Each ADS represents three ordinary shares. We have a sponsored ADR facility with JP Morgan Chase Bank (formerly known as Morgan Guaranty Trust Company of New York) as Depositary.

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The following table gives, for the periods indicated, the reported high and low market quotations for the ordinary shares on the Oslo Stock Exchange, as derived from its Daily Official List, and the highest and lowest sales prices of the ADSs as reported on the NASDAQ National Market composite tape.

	NOK per ordinary share		\$ per ADS	
	High	Low	High	Low
2001	45.40	28.00	15.625	9.000
2002	39.30	22.50	13.330	9.000
2003	44.50	22.80	20.200	9.500
2004	56.50	43.40	28.390	19.008
2005	66.75	49.50	30.295	22.850
2003				
First Quarter	28.80	22.80	12.000	9.500
Second Quarter	31.80	23.20	13.800	9.760
Third Quarter	33.80	29.20	14.300	12.020
Fourth Quarter	44.50	32.20	20.200	13.701
2004				
First Quarter	51.00	43.40	22.550	19.760
Second Quarter	48.60	43.60	21.890	19.008
Third Quarter	51.25	45.50	22.650	19.690
Fourth Quarter	56.50	50.75	28,390	23.150
2005				
First Quarter	60.75	54.75	29.600	26.000
Second Quarter	58.75	49.50	28.230	22.950
Third Quarter	59.50	50.50	28.437	22.850
Fourth Quarter	66.75	54.00	30.295	25.399
2006				
First Quarter	73.75	64.50	33.990	28.910
October 2005	63.50	54.00	29.540	25.399
November 2005	63.50	59.25	29.760	27.500
December 2005	66.75	64.00	30.295	28.250
January 2006	67.75	64.50	31.409	28.910
February 2006	73.00	66.50	32.600	29.550
March 2006	73.75	70.00	33.990	31.540

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**ITEM 10: ADDITIONAL INFORMATION
MEMORANDUM AND ARTICLES OF ASSOCIATION**

Summary of our Articles of Association

Name of the company

Our registered name is Telenor ASA. We are a public limited company.

Registered office

Our registered office is in Bærum, Norway.

Object of the company

The objects of our company are telecommunications activities and other related activities. The activities may be conducted by the company itself, by subsidiaries or through participation in or in cooperation with other companies.

Share capital

Our share capital is NOK 10,293,421,758 divided into 1,706,570,293 ordinary shares.

For additional information relating to our share capital, you should read note 32 to our consolidated financial statements.

Nominal value of shares

The nominal value of each ordinary share is NOK 6.

Board of Directors

Our articles of association provide that our board of directors shall consist of between five and eleven members.

Corporate Assembly

We have a fifteen member corporate assembly. Members of the corporate assembly are elected for a term of two years. The General Meeting elects ten members with three alternates. The employees elect five employee members and two observers, all with alternates.

Annual General Meeting

Our annual general meeting is held before the end of June, upon two weeks written notice and will be chaired by the chairman of the corporate assembly. Shareholders wishing to attend the meeting must give us three days written notice. The meeting deals with the annual report and accounts, including distribution of dividends, and any other matters as required by law or our articles of association.

Election Committee

We have an election committee that makes recommendations to the general meeting regarding the election of shareholder-elected members of the corporate assembly and their alternates. The committee consists of four members who are shareholders or representatives of shareholders. The chairman of the corporate assembly is a permanent member of the committee and acts as its chairman. Two members are elected by the general meeting and one member is elected by and from the corporate assembly's shareholder-elected members. Each member is elected for a two-year term.

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Shareholders Meetings

In accordance with Norwegian law, our annual general meeting of shareholders is required to be held each year on or prior to June 30. Norwegian law requires that written notice of general meetings be sent to all shareholders whose addresses are known at least two weeks prior to the date of the meeting. A shareholder may vote at the general meeting either in person or by proxy. Although Norwegian law does not require us to send proxy forms to our shareholders for general meetings, we include a proxy form with notices of general meetings.

In addition to the annual general meeting, extraordinary general meetings of shareholders may be held if deemed necessary by the board of directors, the corporate assembly or the chairman of the corporate assembly. An extraordinary general meeting must also be convened for the consideration of specific matters at the written request of our auditors or of shareholders representing a total of at least 5% of the outstanding share capital.

Our general meetings are chaired by the chairman of the corporate assembly.

Voting Rights

All the ordinary shares carry equal right to vote at general meetings.

Except as otherwise provided, decisions which shareholders are entitled to make pursuant to Norwegian law or our articles of association may be made by a simple majority of the votes cast. In case of elections, the persons who obtain the most votes cast are deemed elected. However, certain decisions, including resolutions to waive preferential rights in connection with any share issue, to approve a merger or demerger, to amend our articles of association or to authorize an increase or reduction in our share capital must receive the approval of at least two-thirds of the aggregate number of votes cast as well as two-thirds of the share capital represented at a shareholder's meeting. Norwegian law further requires that certain decisions, which have the effect of substantially altering the rights and preferences of any shares or class of shares receive the approval of at least two-thirds of the holders of such shares or class of shares.

In order to attend and vote at our annual or extraordinary general meetings, shareholders must notify us of their attendance at least three days prior to the meeting. In general, in order to be entitled to vote, a shareholder must be registered as the owner of shares in the share register kept by the Norwegian Central Securities Depository, referred to as the VPS System (described below), or, alternatively, report and show evidence of its share acquisition to us prior to the general meeting. Beneficial owners of shares which are registered in the name of a nominee are generally not entitled to vote under Norwegian law, nor are any persons who are designated in the register as holding such shares as nominees. The beneficial owners of ADSs are therefore only able to vote at meetings by surrendering their ADSs, withdrawing their ordinary shares from the ADS depository and registering their ownership of such ordinary shares directly in our share register in the VPS System.

The VPS System and Transfer of Shares

The VPS System is Norway's paperless centralized securities registry. It is a computerized bookkeeping system operated by an independent body in which the ownership of, and all transactions relating to, Norwegian listed shares must be recorded. Our share register is operated through the VPS System.

All transactions relating to securities registered with the VPS are made through computerized book entries. The VPS System confirms each entry by sending a transcript to the registered shareholder regardless of beneficial ownership. To effect these entries, the individual shareholder must establish a share account with a Norwegian account agent. Norwegian banks, the central bank of Norway, authorized securities brokers in Norway, bond issuing mortgage companies, unit trust managing companies and Norwegian branches of credit institutions established within the European Economic Area are allowed to act as account agents.

The entry of a transaction in the VPS System is prima facie evidence in determining the legal rights of parties as against the issuing company or a third party claiming an interest in the subject security.

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The VPS System is strictly liable for any loss resulting from an error in connection with registering, altering or canceling a right, except in the event of contributory negligence, in which event compensation owed by the VPS System may be reduced or withdrawn.

A transferee or assignee of shares may not exercise the rights of a shareholder with respect to such shares unless such transferee or assignee has registered such shareholding or has reported and shown evidence of such share acquisition and the acquisition of such shares is not prevented by law, our articles of association or otherwise.

Amendments to our Articles of Association, including Variation of Rights

The affirmative vote of two-thirds of the votes cast as well as two-thirds of the aggregate share capital represented at the general meeting is required to amend our articles of association. Any amendment, which would reduce any shareholder's right in respect of dividend payments or rights upon liquidation, or restrict the transferability of shares requires a majority vote of at least 90%. Any amendment which will alter the legal relationship between shares that were previously equal or make any issued shares redeemable need the consent of all shareholders affected thereby.

Additional Issuances and Preferential Rights

Any issuances of shares by us, including bonus issues, require an amendment to our articles of association, which requires the same vote as other amendments to our articles of association. In addition, under Norwegian law, our shareholders have a preferential right to subscribe to issues of new shares by us. The preferential rights to subscribe for an issue may be waived by a resolution in a general meeting by the same majority required to approve amendments to our articles of association. A waiver of the shareholders' preferential rights in respect of bonus issues requires the approval of all outstanding shares, regardless of class.

The general meeting may, with a majority vote as described above, authorize the board of directors to issue new shares, and to waive the preferential rights of shareholders in connection with such issuances. Such authorization may be effective for a maximum of two years, and the par value of the shares to be issued may not exceed 50% of the share capital when the authorization was granted.

The issuance of shares to holders who are citizens or residents of the United States upon the exercise of preferential rights may require us to file a registration statement in the United States under United States securities laws. If we decide not to file a registration statement, these holders may not be able to exercise their preferential rights and therefore would be required to sell these rights to eligible Norwegian persons or other eligible non-U.S. holders to realize the value of these rights.

Under Norwegian law, bonus issues may be distributed, subject to shareholder approval, by transfer from Telenor's free equity or from our share premium reserve. Any bonus issues may be effected either by issuing shares or by increasing the par value of the shares outstanding.

Minority Rights

Norwegian law contains a number of protections for minority shareholders against oppression by the majority. Any shareholder may petition the courts to have a decision of the board of directors or general meeting declared invalid on the grounds that it unreasonably favors certain shareholders or third parties to the detriment of other shareholders or the company itself. In certain grave circumstances shareholders may require the courts to dissolve the company as a result of such decisions. Minority shareholders holding 5% or more of our share capital have a right to demand that we hold an extraordinary general meeting to discuss specific matters. In addition, any shareholder may demand that we place an item on the agenda for any shareholders' meeting if we are notified in time for such item to be included in the notice of the meeting.

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Norwegian law requires any person, entity or group acting in concert that acquires more than 40% of the voting rights of a Norwegian company listed on the Oslo Stock Exchange, or OSE, to make an unconditional general offer to acquire the whole of the outstanding share capital of that company. The offer is subject to approval by the OSE before submission of the offer to the shareholders. The offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered. The offering price per share must be at least as high as the highest price paid by the offeror in the six-month period prior to the date the 40% threshold was exceeded, but equal to the market price if the market price was higher when the 40% threshold was exceeded. A shareholder who fails to make the required offer must within four weeks dispose of sufficient shares so that the obligation ceases to apply. Otherwise, the OSE may cause the shares exceeding the 40% limit to be sold by public auction. A shareholder who fails to make such bid cannot, as long as the mandatory bid requirement remains in force, vote his shares or exercise any rights of share ownership unless a majority of the remaining shareholders approve, other than the right to receive dividends and preferential rights in the event of a share capital increase. In addition, the OSE may impose a daily fine upon a shareholder who fails to make the required offer.

Compulsory Acquisition

If a shareholder, directly or via subsidiaries, acquires shares representing more than 90% of the total number of issued shares as well as more than 90% of the total voting rights attached to those shares, then the majority shareholder would have the right (and each remaining minority shareholder of that company would have the right to require the majority shareholder) to effect a compulsory acquisition for cash of any shares not already owned by the majority shareholder (Section 4-25 of the Norwegian Public Limited Companies Act 1997 No. 45). The compulsory acquisition would result in the majority shareholder becoming the owner of the shares of the minority shareholders with immediate effect.

Upon effecting the compulsory acquisition, the majority shareholder would have to offer the minority shareholders a specific price per share. The determination of the price per share would be at the discretion of the majority shareholder. Should any minority shareholder not accept the offered price, such minority shareholder may, within a specified period of not less than two months, request that the price be set by the Norwegian courts. The cost of such court procedure would normally be charged to the account of the majority shareholder, and the courts would have full discretion in determining the consideration due to the minority shareholder as a result of the compulsory acquisition.

Election and Removal of Directors and Corporate Assembly

The general meeting of shareholders elects two-thirds of the members of the corporate assembly, together with alternate members, while the remaining one-third, together with alternate members, is elected by and among our employees. There is no quorum requirement, and nominees who receive the most votes are elected. The election committee makes recommendations to the general meeting regarding the election of shareholder-elected members and alternates to the corporate assembly. A member of the corporate assembly (other than a member elected by employees) may be removed by the general meeting at any time without cause.

Our directors are elected and may be removed from office by our corporate assembly. The corporate assembly makes decisions by majority vote, and more than half of the members must be present for a quorum. If votes are tied, the chairman casts the deciding vote. However, half of the members elected by the employees may demand that the board members shall be elected by members of the assembly elected by shareholders and members elected by employees of the assembly, each voting as a separate group. The election committee makes recommendations to the corporate assembly regarding the election of shareholder-elected members and alternates to the board of directors. A director (other than a director elected directly by the employees) may be removed at any time by the corporate assembly without cause.

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The members of the corporate assembly and the board of directors have fiduciary duties to the shareholders, see Item 6: Directors, Senior Management and Employees Directors and Senior Management Corporate Assembly and Liability of Directors below.

Payment of Dividends

For a discussion of the declaration and payment of dividends on our ordinary shares, see Item 3: Key Information Dividends and Dividend Policy .

Rights of Redemption and Repurchase of Shares

Our articles of association do not authorize the redemption of shares. In the absence of authorization, the redemption of shares may still be decided by a general meeting of shareholders by a two-thirds majority under certain conditions, but the redemption would, for all practical purposes, depend on the consent of all shareholders whose shares are redeemed.

A Norwegian company may repurchase its own shares if their purchase has been authorized in advance by a general meeting with the approval of at least two-thirds of the aggregate number of votes cast as well as two-thirds of the share capital represented at the meeting. The aggregate par value of the repurchased shares held must not exceed 10% of the share capital and such repurchase may only take place if, according to the latest adopted balance sheet, we have distributable equity exceeding the amount to be paid for the shares. The authorization by the general meeting must be for a period not exceeding 18 months.

Shareholders Votes on Certain Reorganizations

If we were to merge with another company or to demerge, such decision would require a resolution of our shareholders at a general meeting passed by a two-thirds majority of the aggregate votes cast as well as two-thirds of the aggregate share capital represented at the general meeting. A merger plan or demerger plan signed by the board of directors as well as certain other required documentation must be sent to all shareholders at least one month prior to the shareholders meeting.

Any agreement by which we acquire assets or services from a shareholder or a related party against a consideration exceeding the equivalent of 5% of our share capital at such time is only binding if approved by the general meeting. This does not apply to acquisition of listed securities at market price and to agreements in the ordinary course of business entered into on normal commercial terms.

Liability of Directors

Our directors, the president and chief executive officer and the members of the corporate assembly owe a fiduciary duty to the company and its shareholders. Their principal task is to safeguard the interest of shareholders. In addition, they may also have duties to other third parties, such as employees and creditors.

Our directors, the president and chief executive officer and the members of the corporate assembly can each be held liable for any damage they negligently or willfully cause us. Norwegian law permits the general meeting to exempt any such person from liability, but the exemption is not binding if substantially correct and complete information was not provided to the general meeting when the decision was taken. In addition, if our general meeting has exempted such a person from liability or decided not to hold such a person liable for a certain matter, shareholders representing more than 10% of the share capital or (if there are more than 100 shareholders) more than 10% of the number of shareholders can raise the claim on our behalf and in our name. The cost of any such action is not our responsibility, but can be recovered by any proceeds we receive as a result of the action. If the decision not to hold such person liable was adopted by the same majority as required for amending the articles of association, such decision is binding on the minority shareholders.

Indemnification of Directors and Officers

Neither Norwegian law nor our articles of association contain any provision concerning indemnification by us of our board of directors.

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Disclosures of Interests

A person, entity or group acting in concert that acquires or disposes of shares, options for shares or other rights to shares resulting in its beneficial ownership, directly or indirectly, in the aggregate, exceeding or falling below the respective thresholds of 1/20, 1/10, 1/5, 1/3, 1/2, 2/3 or 9/10 of our share capital has an obligation under Norwegian law to notify the Oslo Stock Exchange immediately. A corresponding disclosure obligation applies with respect to any holder of ADSs who is entitled upon surrender of the ADRs to acquire directly or indirectly the beneficial ownership of a number of shares that, together with any other shares, additional ADSs representing shares or options to acquire shares held by such holder, in the aggregate, meets, exceeds or falls below these thresholds.

Distribution of Assets on Liquidation

Under Norwegian law, a company may be wound-up by a resolution of the company's shareholders in a general meeting passed by both a two-thirds majority of the aggregate votes cast and two-thirds of the aggregate share capital represented at the meeting. The shares rank equal in the event of a return on capital by the company upon a winding-up or otherwise.

MATERIAL CONTRACTS

None.

EXCHANGE CONTROLS

Under Norwegian foreign exchange controls currently in effect, transfers of capital to and from Norway are not subject to prior government approval except for the physical transfer of payments in currency, which is restricted to licensed banks. This means that non-Norwegian resident shareholders may receive dividend payments without a Norwegian exchange control consent as long as the payment is made through a licensed bank.

There are presently no restrictions affecting the rights of non-residents or foreign owners to hold or vote our shares.

TAXATION

Norwegian Tax Matters

This section describes the material Norwegian tax consequences that apply to shareholders resident in Norway as well as non-resident shareholders in connection with the acquisition, ownership, and realization of our ordinary shares and ADSs. This section does not provide a complete description of all tax regulations, which may be relevant (i.e. for investors to whom special regulations may be applicable). This section is based on current law and practice. Shareholders should contact their professional tax advisors for advice concerning any potential individual and/or other tax consequences.

Taxation of dividends and gains on shares

Taxation of dividends and gains on shares is subject to the legal status of the shareholder (i.e. whether the shareholder is a corporate shareholder or an individual shareholder).

Corporate shareholders

For corporate shareholders, the exemption method was introduced as from March 26, 2004. The tax exemption model implies that limited liability companies (i.e. private and public limited companies and equivalent entities) are exempt from tax on dividends and on capital gains from the alienation of shares. Correspondingly, the right to deduct losses on shares is abolished.

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The exemption method applies to private and public limited companies and other companies of the same standing as limited companies for tax purposes. Furthermore, the tax exemption for companies' income from shares applies to associations, institutions, estates in bankruptcy, municipals and state owned companies. As a main rule, foreign companies and legal entities are also included in the exemption, provided that the foreign company or entity is equivalent to the Norwegian exempt entity. Thus, as a main rule, a foreign equivalent company or legal entity is exempt from tax on dividends or capital gains on shares.

The exemption method does not apply for withholding tax on dividends for shareholders resident outside the European Economic Area (EEA). This implies that the general withholding tax rate of 25% will apply for a corporate shareholder outside the EEA, even if the shareholders may be deemed as an entity equivalent to a Norwegian exempt entity.

The general withholding tax rate may be reduced in a tax treaty between Norway and the resident country of the shareholder (normally to 15%) and in cases where a corporate shareholder holds a qualifying percentage of the shares of the distributing company, the withholding tax rate on dividends is in most cases reduced to 5% or even to zero. The treaty rate in the U.S.-Norwegian treaty is 15% in all cases.

Individual shareholders

Individual shareholders (i.e. shareholders other than corporate shareholders as set out above) are subject to tax on share income according to the Shareholder Method, introduced as of January 1, 2006. According to the Shareholder Model, share income, including dividend income and capital gains from the alienation of shares, is taxed in the hands of individual shareholders as general income. A tax free base amount is offered, based upon the interest level on State bonds of 3 years duration (deemed as a risk free return on capital) multiplied with the cost price on the shares, adjusted according to the RISK-rules for the years up to 2006 when the RISK rules are abandoned. RISK is the Norwegian abbreviation for the adjustment of the cost price on shares for retained earnings after tax during the ownership of the shareholder.

Any tax free base amount on a specific share that exceeds dividends distributed on the same share is added to the allowance basis for calculation of the tax free amount for future tax years and can be carried forward and deducted from future dividends distributed on the same share. Upon alienation of the share, any remaining tax free amount may reduce taxable gains on the share.

For individual shareholders resident outside Norway, there are no amendments to the existing withholding tax regime on dividends from Norwegian companies. This implies that the general withholding tax rate of 25% will apply, unless the shareholder is carrying on business activities in Norway and such shares are effectively connected to such activities. In that case, the rules described in the foregoing paragraph are applicable.

The general withholding tax rate may be reduced in a tax treaty between Norway and the resident country of the shareholder, normally to 15%. In case the withholding tax rate set in a tax treaty is less than the tax free base amount offered to Norwegian resident shareholders, the foreign tax payer may apply for a corresponding reduction of the withholding tax.

The 15% withholding rate under the tax treaty between Norway and the United States will apply to dividends paid on shares held directly by U.S. holders properly demonstrating to the company that they are entitled to the benefits of the treaty.

Dividends paid to the depositary for redistribution to shareholders holding ADSs will at the outset be subject to a withholding tax of 25%. The beneficial owners will in this case have to apply for refund of the excess amount of tax with the Central Office Foreign Tax Affairs. However, provided it is acting as a licensed custodian operating (a) nominee account(s) in the Norwegian Registry of Securities (the VPS System) with approval from the Norwegian Banking, Insurance and Securities Commission and the Central Office Foreign Tax Affairs, the bank(s) acting as depositary is entitled to receive dividends from us for redistribution to ADS holders who are beneficial owners at the treaty withholding rate of 15%.

Table of Contents***Wealth tax***

The value of the shares is included when computing the wealth tax imposed on individuals deemed resident in Norway for tax purposes. Norwegian joint stock companies and certain other companies in a similar position are not subject to wealth tax. Currently, the marginal wealth tax rate is 1.1% of the value assessed. The value for assessment purposes for shares listed on the Oslo Stock Exchange is 65% of the listed value of such shares as of January 1 in the year of assessment, with effect from the income year 2005. For income year 2006, the value is set at 80% for tax assessment purposes. Shareholders resident outside of Norway are ordinarily not subject to wealth tax in Norway for shares in Norwegian joint stock companies.

Inheritance tax and gift tax

Upon transfer of shares due to inheritance or certain gifts, such transfer may be subject to inheritance or gift tax. As of January 1, 2006, shares in Norwegian private and public limited liability companies and equivalent foreign companies are valued according to a continuity rule. According to this rule, the transferor's cost price is transferred from the transferor to the recipient. Still, such transfer is not subject to Norwegian tax if the donor/deceased was neither a national nor resident of Norway for tax purposes.

Taxation upon realization of subscription rights

A holder of shares who exercises his subscription rights is not considered to realize any gain in connection with such subscription of new shares.

Further, shareholders who sell or otherwise dispose of subscription rights are not subject to tax on capital gain obtained from the disposal, provided that the shareholder is encompassed by the exemption method set out above for corporate shareholders. For shareholders not encompassed by the exemption method, capital gains taxation will apply.

Shareholders not resident in Norway, both individuals and companies, are generally not subject to tax in Norway on capital gains, and losses are not deductible upon sale, redemption or other disposition of subscription rights, shares or ADSs in Norwegian companies, unless the shareholder has been resident for tax purposes in Norway and the disposal takes place within five years after the end of the calendar year in which the shareholder ceased to be a resident of Norway for tax purposes, or, alternatively, the shareholder is carrying on business activities in Norway and such subscription rights, shares or ADSs are or have been effectively connected to such activities.

Transfer tax

There is no transfer tax imposed in Norway in connection with the sale or purchase of shares.

United States Tax Matters***Generally***

This section describes the material United States federal income tax consequences of owning shares or ADSs. It applies to you only if you hold your shares or ADSs as capital assets for tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

dealers in securities,

traders in securities that elect to use a mark-to-market method of accounting for their securities holdings,

tax-exempt organizations,

life insurance companies,

persons liable for alternative minimum tax,

persons who actually or constructively own 10% or more of the voting stock of Telenor,

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persons who hold shares or ADSs through a partnership or other pass-through entity,

persons who hold shares or ADSs as part of a straddle or a hedging or conversion transaction, or

U.S. holders (as defined below) whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, and the Convention between the United States of America and the Kingdom of Norway for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Property (the Treaty). These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations of the depository and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. Taking into account this assumption, for United States federal income purposes, if you hold ADRs evidencing ADSs, you generally will be treated as the owner of the shares represented by those ADRs. Exchanges of shares for ADRs, and ADRs for shares, generally will not be subject to United States federal income tax.

You are a U.S. holder if you are a beneficial owner of shares or ADSs that is for United States federal income tax purposes:

a citizen or resident of the United States,

a U.S. domestic corporation,

an estate whose income is subject to United States federal income tax regardless of its source, or

a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

You should consult your personal tax attorney, CPA or other advisor regarding United States federal, state, local and any other tax consequences of owning and disposing of shares and ADSs for your particular situation.

Taxation of dividends

Subject to the passive foreign investment company rules discussed below, if you are a U.S. holder, the gross amount of any dividend paid by Telenor out of its current or accumulated earnings and profits (as determined for United States federal income tax purposes) is subject to United States federal income taxation. If you are a non-corporate U.S. holder, dividends paid to you in taxable years beginning before January 1, 2009 that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15%, provided that you hold the shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. Dividends paid by Telenor generally will be qualified dividend income.

You must include any Norwegian tax withheld from the dividend payment in this gross amount even though you do not in fact receive the amount withheld as tax. The dividend is taxable to you when you, in the case of shares, or the depository, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Norwegian Krone payments made, determined at the spot Norwegian Krone/ U.S. dollar rate on the date the dividend distribution is included in your income, regardless of whether the payment is in fact converted into U.S. dollars. Any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars generally will be treated as ordinary income or loss. Such gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits (as determined for United States federal income tax purposes) will be treated as a non-taxable return of capital to the extent of your tax basis in the shares or ADSs and, to the extent in excess of your tax basis, will be treated as capital gain.

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Subject to certain limitations, the 15% Norwegian tax withheld in accordance with the Treaty and paid over to Norway will be creditable against your United States federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate. To the extent that a refund of a portion of the tax withheld is available to you under Norwegian law or the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against your United States federal income tax liability. See

Norwegian Tax Matters Taxation of dividends above. Dividends will be income from sources outside the United States. Dividends paid in taxable years beginning before January 1, 2007 generally will be passive income or financial services income and dividends paid in taxable years beginning after December 31, 2006 will, depending on your circumstances, be passive or general income which, in either case, is treated separately from other types of income for purposes of computing the foreign tax credit allowable to you.

Taxation of capital gains

Subject to the passive foreign investment company rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your shares or ADSs, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your shares or ADSs. Capital gain of a non-corporate U.S. holder that is recognized before January 1, 2009 is generally taxed at a maximum rate of 15% where the holder has a holding period greater than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

If you receive any foreign currency on the sale of shares or ADSs, you may recognize ordinary income or loss from sources within the United States as a result of currency fluctuations between the date of the sale of the shares or ADSs and the date the sales proceeds are converted into U.S. dollars.

Passive Foreign Investment Company (PFIC) Rules

We believe that our shares and ADSs should not be treated as stock of a passive foreign investment company, or PFIC, for United States federal income tax purposes. However, this conclusion is a factual determination that is made annually, and may therefore be subject to change.

In general, if you are a U.S. holder, we will be a PFIC with respect to you if for any taxable year in which you held our ADSs or shares:

At least 75% of our gross income for the taxable year is passive income, or

At least 50% of the value, determined on the basis of a quarterly average, of our assets is attributable to assets that produce or are held for the production of passive income.

Passive income generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income.

If we are treated as a PFIC, and you are a U.S. holder that did not make a qualified election fund, or QEF, election or a mark-to-market election, as described below, you will be subject to special rules with respect to:

Any gain you realize on the sale or other disposition of your shares or ADSs, and

Any excess distribution that we make to you (generally, any distributions to you during a single taxable year that are greater than 125% of the average annual distributions received by you in respect of the shares or ADSs during the three preceding taxable years or, if shorter, your holding period for the shares or ADSs).

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Under these rules:

The gain or excess distribution will be allocated ratably over your holding period for the shares or ADSs,

The amount allocated to the taxable year in which you realized the gain or excess distribution will be taxed as ordinary income,

The amount allocated to each prior year, with certain exceptions, will be taxed at the highest tax rate in effect for that year, and

The interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

If our shares or ADSs are considered marketable stock, you may also make a mark-to-market election. If you make this election, you will not be subject to the PFIC rules described above. Instead, in general, you will include as ordinary income each year the excess, if any, of the fair market value of your shares or ADSs at the end of the taxable year over your adjusted basis in your shares or ADSs. These amounts of ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. You will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of your shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Your basis in the shares or ADSs will be adjusted to reflect any such income or loss amounts.

In addition, notwithstanding any election you make with regard to the shares or ADSs, dividends that you receive from us will not constitute qualified dividend income to you if we are a PFIC either in the taxable year of the distribution or the preceding taxable year. Dividends that you receive that do not constitute qualified dividend income are not eligible for taxation at the 15% maximum rate applicable to qualified dividend income. Instead, you must include the gross amount of any such dividend paid by us out of our accumulated earnings and profits (as determined for United States federal income tax purposes) in your gross income, and it will be subject to tax at rates applicable to ordinary income.

If you own shares or ADSs during any year that we are a PFIC, you must file Internal Revenue Service Form 8621.

DOCUMENTS ON DISPLAY

It is possible to read and copy documents referred to in this annual report on Form 20-F that have been filed with the SEC at the SEC's public reference room located at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms and their copy charges.

ITEM 11: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Funding and Financial Risk Management Activities in Telenor

You should read notes 22 and 23 to our consolidated financial statements for a description of funding and financial risk management activities in Telenor and Item 5: Operating and Financial Review and Prospects Information About Contractual Cash Payments and Capital Resources Capital Resources for additional information about our sources of financing.

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We adopted sensitivity analysis as the approach to quantify market risk.

Fair values have been estimated in conjunction with the principles described in note 23 to our consolidated financial statements.

Interest rate risk is quantified by change in fair value given a 10% parallel shift in interest rate curves. Exchange rate risk is quantified by change in fair value from a 10% change in spot rates against the Norwegian Krone. Changes in market volatilities will change the fair value of option instruments. Volatility risk is quantified by change in fair value due to a 10% change in implied volatilities.

The model underlying the sensitivity analysis includes derivatives as well as bank deposits and borrowings, current interest bearing investments, commercial paper and bonds. The fair values of our equity investments or cash flows from these assets are not taken into account. As such the analysis does not show our total net exposure to financial market risk.

The assumptions used in the model for partial movements in risk factors are not based upon empirical observations. Correlations between different exchange rates, short and long-term interest rates as well as the interest rates of the different currencies in the portfolio are not taken into account. As a result, the total effects of deficiencies in the assumptions implicit in the model might be substantial and the hypothetical gains and losses calculated do not express management's expectations of future changes in fair value.

	Fair value as of December 31, 2005	Interest rates		Exchange rates		Volatility	
2005		-10%	10%	-10%	10%	-10%	-10%
		(NOK in millions)					
Foreign exchange derivatives(2)	530	24	(24)	(1,506)	1,506		
Interest rate derivatives(2)	(170)	57	(71)	(29)	29	(8)	8
Net interest-bearing liabilities(1)	(32,155)	(275)	271	3,406	(3,406)		
Total	(31,795)	(194)	176	1,871	(1,871)	(8)	8

	Fair value as of December 31, 2004	Interest rates		Exchange rates		Volatility	
2004		-10%	10%	-10%	10%	-10%	-10%
		(NOK in millions)					
Foreign exchange derivatives	967	39	(38)	(111)	111		
Interest rate derivatives	26	28	(24)	(28)	28	(10)	11
Net interest-bearing liabilities	(21,180)	(265)	260	2,277	(2,277)		
Total	(20,187)	(198)	198	2,138	(2,138)	(10)	11

(1) Includes interest-bearing liabilities at fair value. Cash and short-term money market investments.

(2) All derivatives are included.

The increase in market value of net interest-bearing liabilities as of December 31, 2005 compared to December 31, 2004 was mainly due to the increase in interest-bearing debt during the period.

As of December 31, 2005, the exchange rate risk quantified in this analysis decreased compared to December 31, 2004. The portfolio of foreign currency denominated financial instruments was decreased in this period.

The risk arising from changes in option volatilities is insignificant due to the small volume of options in the portfolio.

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ITEM 12: DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13: DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14: MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15: CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures as such term is defined in Exchange Act Rule 13a-15(e). This includes the establishment of a disclosure committee. The disclosure committee currently consists of Trond Westlie, chief financial officer, Knut Giske, group controller, Pal Wien Espen, group general counsel, Anne-Sissel Skanvik, head of communication, and Erling Thune, head of investor relations. The committee is generally responsible for considering the materiality of information and determining our disclosure obligations on a timely basis. The committee also allocates reviewing responsibilities to the appropriate officers within Telenor. The committee, together with our chief executive officer and chief financial officer, has the responsibility for the evaluation of the effectiveness of our disclosure and control procedures and may generally take all actions deemed necessary or desirable to ensure compliance with such procedures.

In designing and evaluating our disclosure controls and procedures, our management, including the chief executive officer and the chief financial officer, recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. Our disclosure controls and procedures have been designed to meet, and management believes that they meet, reasonable assurance standards.

Our management, with participation of the chief executive officer and the chief financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (pursuant to Exchange Act Rule 13a-15(b)) as of the end of the period covered by this annual report. Based on that evaluation our management, including the chief executive officer and the chief financial officer, concluded that subject to the limitations noted above our disclosure controls and procedures were effective as of December 31, 2005.

There have been no significant changes in our internal controls over financial reporting identified in connection with the above-mentioned evaluation that occurred in the period covered by this annual report that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 16A: AUDIT COMMITTEE FINANCIAL EXPERT

On December 19, 2003, our board of directors determined that John Giverholt qualifies as an audit committee financial expert within the meaning of Item 16A of Form 20-F and determined that he is considered independent within the meaning of SEC and NASDAQ Marketplace Rules. For more information on our audit committee you should read Item 6: Directors, Senior Management and Employees Directors and Senior Management Board Practices .

Table of Contents**ITEM 16B: CODE OF ETHICS**

On October 26, 2005 our board of directors adopted amendments to our existing Codes of Conduct, which are applicable to directors, officers and employees. These amendments revise the Codes of Conduct to include the standards required for a Code of Ethics within the meaning of Item 16B of Form 20-F and NASDAQ Marketplace Rule 4350(n). The Codes of Conduct are available on our website at <http://www.telenor.com/csr/telenors/coc/>.

ITEM 16C: PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table provides an overview of the fees billed by Ernst & Young AS, our independent auditors with respect to 2004 and 2005, for professional services performed in 2004 and 2005

	Year Ended December 31,	
	2004	2005
	(NOK in millions)	
Audit Fees	29.0	41.7
Audit-Related Fees	10.0	9.3
Tax Fees	5.2	5.6
All Other Fees	0.7	1.0
Total	44.9	57.6

Audit services. The following services were billed under the category audit services : audit of financial statements, reviews of quarterly reports, including the formulation of audit opinions and reports, domestic and international statutory audits, tax services necessary for compliance with generally accepted auditing principles, and support in the preparation and auditing of the documents to be filed. Audit services also included the auditing of information systems and processes and tests which serve to promote understanding and reliability of systems and internal corporate controls, as well as advice on issues of accounting and reporting.

Audit-related services. Audit-related services mainly consisted of services which are normally performed by the independent accountant in connection with the auditing of the annual financial statements. Audit-related services also included due diligence in connection with acquisitions and disposals, advice on issues of accounting and reporting which were not classified as audit services, support with the interpretation and implementation of new accounting and reporting standards, information systems audits, regulatory reporting audits and auditing of employee benefit plans.

Tax services. Tax services primarily consisted of services relating to the review of tax compliance and tax advice, mainly outside Norway.

Other services. Other services consisted of services unrelated to the audits of our financial statements, such as consultation regarding regulatory reporting and training sessions.

The audit committee of our board of directors is responsible, among other matters, for the oversight of our independent auditors. On May 6, 2003, our board of directors adopted the Audit and Non-Audit Services Pre-Approval Policies and Procedures (the Procedures) governing the approval by our audit committee of audit and non-audit services to be performed by our independent auditors in order to ensure that the provision of such services does not impair the auditors independence. Prior to the establishment of the audit committee in September 2003, our board of directors was responsible for the approval of the provision of such services under the Procedures.

Under the Procedures, proposed services (i) are either reviewed and generally pre-approved by the audit committee on an annual basis (general pre-approval); or (ii) require specific pre-approval by the audit committee (full pre-approval). An appendix to the Procedures sets forth audit, audit-related and tax services that have received general pre-approval, which is generally valid for the fiscal year, unless provided

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otherwise. The audit committee can amend this list based on subsequent determinations. Proposed services by the independent auditors that are not set forth in the appendix require full pre-approval by the audit committee. There is also an appendix setting forth prohibited non-audit services.

All services to be performed by the independent accountants were subject to the Procedures and approved in advance either specifically or generally. No services which are classified as prohibited services by the U.S. Securities and Exchange Commission were commissioned after May 6, 2003.

The designated financial expert of the audit committee shall report to the audit committee on a regular basis for informational purposes. Our internal auditor, who has been designated by our board of directors to generally monitor compliance with the Procedures, will assist the designated financial expert in determining whether a proposed service falls within the category of services enjoying general pre-approval. Requests for full pre-approval must be accompanied by a joint statement from our internal auditor and the independent auditors setting forth whether in their view the request for approval is consistent with the SEC's rules on auditor independence. The internal auditors and management will immediately report violations of the Procedures to the audit committee.

The independent auditors will submit to our audit committee on an annual basis a formal written statement delineating the relationships between us and them and there will be a discussion of the independent auditors' methods and procedures for ensuring independence. In connection with each engagement, the independent auditors will be required to represent and confirm that the proposed services will not affect their independence.

ITEM 16D: EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

On July 29, 2005 Telenor ASA caused to be furnished the newly required NASDAQ corporate governance certification for foreign private issuers pertaining to the Audit Committee and other matters. No exemptions were noted.

ITEM 16E: PURCHASES OF EQUITY SECURITIES BY ISSUER AND AFFILIATED PURCHASERS

On May 8, 2003, the general meeting of shareholders authorized the board of directors on behalf of Telenor to acquire up to 5% of its own shares in the open market. Between May 8, 2003 and May 6, 2004, Telenor purchased 12,810,000 own shares pursuant to the 2003 share buyback authorization.

On May 6, 2004, the general meeting of shareholders authorized the board of directors on behalf of Telenor to acquire 174,920,098 own shares, which equals approximately 10% of Telenor's share capital. This authorization superseded the authorization of May 8, 2003 and is valid until July 1, 2005. Telenor purchased 14,939,900 own shares pursuant to the 2004 share buyback authorization in 2004, and has purchased an additional 5,625,000 shares pursuant to the 2004 share buyback authorization in 2005.

On May 20, 2005, the general meeting of shareholders authorized the board of directors on behalf of Telenor to acquire 170,500,000 own shares, which equates to approximately 10% of the company's share capital after the completion of the capital reduction approved on May 20, 2005. This authorization superseded the authorization of May 6, 2004 and is valid until July 1, 2006. Telenor purchased 5,620,000 shares pursuant to the 2004 share buyback authorization in 2005. Following the May 2005 share buyback authorization, Telenor has purchased 13,844,000 shares in 2005.

The table below sets forth the total number of purchases by Telenor of own shares in 2005, comprising 5,620,000 shares purchased pursuant to the 2004 share buyback authorization and 13,844,000 shares purchased pursuant to the 2005 share buyback authorization.

Table of Contents**ISSUER PURCHASES OF EQUITY SECURITIES**

Period 2005	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share in NOK	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(2)
January				159,980,198
February				159,980,198
March	5,620,000	58.38	5,620,000	154,360,198
April				154,360,198
May	789,000	51.82	789,000	169,711,000
June	5,625,000	51.31	5,625,000	164,086,000
July				164,086,000
August	4,850,000	56.69	4,850,000	159,236,000
September	2,580,000	58.22	2,580,000	156,656,000
October				156,656,000
November				156,656,000
December				156,656,000
Sum	19,464,000(3)	55.38	19,464,000(3)	

(1) Shares purchased prior to May 2005 were purchased pursuant to the 2004 share buyback authorization. Shares purchased from May 2005 were purchased pursuant to the 2005 share buyback authorization.

(2) Up until May 20, 2005, Telenor was authorized to purchase up to 10% of its own shares (approximately 174,980,098 shares). Since May 20, 2005, Telenor has been authorized to purchase 170,500,000 of its own shares (approximately 10% of its share capital).

(3) All shares were purchased in the open market and pursuant to the authorizations described above.

PART III**ITEM 17: FINANCIAL STATEMENTS**

Not applicable.

ITEM 18: FINANCIAL STATEMENTS

Our consolidated financial statements of Telenor ASA beginning on page F-1 and the related notes, the report thereon of Ernst & Young AS and the report of Rahman Rahman Hug on the financial statements of GrameenPhone as of and for the year ended December 31, 2005 are filed as part of this annual report on Form 20-F.

Table of Contents**ITEM 19: EXHIBITS**

The following exhibits are filed as part of this annual report:

Exhibit 1	Articles of Association for Telenor ASA, as amended on May 20, 2005 (English translation)
Exhibit 2(b)(i)	Instruments defining the Rights of Holders of Long-Term Debt: Terms and conditions of Telenor's US\$6 billion Euro Medium-Term Notes program.(*). Excluding such program, the total amount of long-term debt securities of Telenor authorized under any instrument, does not exceed 10% of the total assets of Telenor on a consolidated basis. Telenor agrees to furnish copies of any or all such other instruments to the Securities and Exchange commission upon request.
Exhibit 4(c)	Form of Director/Group Management Employment Contract
Exhibit 8	Subsidiaries
Exhibit 12.1	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated April 6, 2006
Exhibit 12.2	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 29, 2006
Exhibit 13.1	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated April 6, 2006
Exhibit 13.2	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated June 29, 2006

(*) Incorporated by reference to our annual report on Form 20-F for the year ended December 31, 2002.

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SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Telenor ASA
(Registrant)

By: /s/ Trond Ø. Westlie

Trond Ø. Westlie
Chief Financial Officer

Date: June 29, 2006

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of the Telenor Group

We have audited the accompanying consolidated balance sheets of the Telenor Group as of December 31, 2005 and 2004, and the related consolidated income statements, consolidated statements of changes in equity, and consolidated cash flow statements for each of the two years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of GrameenPhone Ltd., a 62%-owned subsidiary, as of and for the years ended December 31, 2005 and 2004, which statements reflect total assets constituting 4 percent in 2005 and 3 percent in 2004, and total revenues constituting 4 percent in 2005 and 4 percent in 2004 of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for GrameenPhone Ltd., is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Telenor Group at December 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2005, in conformity with International Financial Reporting Standards as adopted by the European Union which differ in certain respects from United States generally accepted accounting principles (see note 38 of the notes to the consolidated financial statements).

/s/ Ernst & Young AS

Oslo, Norway

April 6, 2006

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors of GrameenPhone Ltd.

We have audited the accompanying balance sheet of GrameenPhone Ltd. as of 31 December 2005 and 2004, and the related profit and loss account, statement of changes in equity and cash flow statement for each of the two years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GrameenPhone Ltd. at December 31, 2005 and 2004 and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2005, in conformity with Bangladesh Accounting Standards which differ in certain respects from International Financial Reporting Standards as adopted by the European Union and United States generally accepted accounting principles (see note 3.2.1 of the notes to the financial statements).

/s/ Rahman Rahman Huq

Dhaka, Bangladesh

April 3, 2006

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CONSOLIDATED STATEMENTS OF PROFIT AND LOSS
Telenor Group January 1 December 31

	Note	2004	2005
		NOK in millions, except per share amounts	
Revenues	2	60,591	68,927
Operating expenses			
Costs of materials and traffic charges	4	15,924	17,711
Own work capitalized	5	(557)	(704)
Salaries and personnel costs	6,7	9,970	10,236
Other operating expenses	8	13,871	17,606
Other (income) and expenses	9	(152)	242
Depreciation and amortization	15	10,637	11,544
Write-downs	15, 17	3,531	587
Operating profit		7,367	11,705
Associated companies	18	986	1,233
Financial income and expenses			
Financial income		496	447
Financial expenses		(1,561)	(1,639)
Net currency gains (losses)		(87)	84
Change in fair value of financial instruments			243
Net gains (losses and write-downs) of financial items		2,673	518
Net financial items	13	1,521	(347)
Profit before taxes		9,874	12,591
Taxes	14	(2,461)	(3,453)
Profit from continuing operations		7,413	9,138
Profit (loss) from discontinued operations	1		(4)
Profit from total operations		7,413	9,134
Attributable to:			
Non-controlling interests (Minority interests)		1,320	1,488
Equity holders of Telenor ASA (Net income)		6,093	7,646
Earnings per share in NOK			
From continuing operations			
Basic	25	3.49	4.47
Diluted	25	3.48	4.47
From total operations			
Basic	25	3.49	4.47
Diluted	25	3.48	4.47

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CONSOLIDATED BALANCE SHEET
Telenor Group at December 31

	Note	2004	2005
NOK in millions			
Assets			
Deferred tax assets	14	3,357	3,052
Goodwill	16	13,354	20,700
Other intangible assets	16	11,076	21,245
Property, plant and equipment	16	37,543	43,958
Associated companies	18	6,602	7,424
Financial non-current assets	20	1,249	2,267
Total non current assets		73,181	98,646
Current tax assets		207	110
Inventories		596	695
Trade and other receivables	19	11,487	13,852
Other financial current assets	20	844	3,619
Assets held for sale	1		667
Cash and cash equivalents	29	5,081	6,806
Total current assets		18,215	25,749
Total assets		91,396	124,395
Equity and liabilities			
Equity attributable to equity holders of Telenor ASA		40,122	46,399
Non-controlling interests (Minority interests)		3,946	7,134
Total equity		44,068	53,533
Liabilities			
Non-current interest-bearing financial liabilities	22	20,602	27,139
Non-current non-interest-bearing financial liabilities		573	580
Deferred tax liabilities	14	2,292	2,669
Provisions etc.	21	3,188	3,368
Total non-current liabilities		26,655	33,756
Current interest-bearing financial liabilities	22	3,991	11,908
Trade and other payables	24	15,175	20,827
Current tax liabilities		321	853
Current non-interest bearing financial liabilities	24	431	2,314
Liabilities held for sale	1		287
Provisions etc.	21	755	917
Total current liabilities		20,673	37,106

Total equity and liabilities	91,396	124,395
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CONSOLIDATED CASH FLOW STATEMENT
Telenor Group January 1 December 31

	Note	2004	2005
NOK in millions			
Proceeds from sale of goods and services		61,107	69,853
Payments to suppliers of goods and services and of other operating expenses		(30,639)	(35,461)
Payments to employees, pensions, social security tax and tax deductions		(9,280)	(9,635)
Proceeds from interest income		323	347
Proceeds from other financial income		590	162
Payments of interest expenses		(1,361)	(1,563)
Payments of other financial expenses		(67)	(49)
Other proceeds and payments related to operating activities		(22)	4
Payment of income taxes and public duties		(1,660)	(1,318)
Net cash flow from operating activities(1)		18,991	22,340
Proceeds from sale of property, plant and equipment and intangible assets		263	539
Purchase of property, plant and equipment and intangible assets		(11,613)	(14,213)
Cash receipts from sale of subsidiaries and associated companies, net of cash sold	29	849	740
Cash payments on purchase of subsidiaries and associated companies, net of cash purchased	29	(6,281)	(8,128)
Proceeds from sale of other investments		3,960	1,539
Payments for other investments		(209)	(475)
Net cash flow from investment activities		(13,031)	(19,998)
Proceeds from non-current liabilities		2,486	5,718
Proceeds from current liabilities		55	6,057
Payments on non-current liabilities		(6,044)	(4,724)
Payments on current liabilities		(808)	(2,876)
Proceeds from issuance of shares, inclusive from minority interests		47	74
Shares buy back		(2,020)	(2,267)
Payment of equity and dividends to minorities in subsidiaries		(207)	(219)
Payment of dividends		(1,764)	(2,595)
Net cash flow from financing activities		(8,255)	(832)
Effect on cash and cash equivalents of changes in foreign exchange rates		(268)	215
Net change in cash and cash equivalents		(2,563)	1,725
Cash and cash equivalents at January 1		7,644	5,081
Cash and cash equivalents at December 31	29	5,081	6,806
(1) Reconciliation			
Profit after taxes		7,413	9,134
Profit after taxes from discontinued operations			4
Taxes		2,461	3,453
Profit before taxes		9,874	12,591
Income taxes paid		(1,516)	(1,369)
Net (gain) loss including write-downs and change in fair value of financial items		(3,161)	(929)
Depreciation, amortization and write-downs		14,168	12,131
Associated companies		(986)	(1,233)
Changes in inventories		(79)	(37)

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Changes in accounts receivable and prepayments from customers	95	1,659
Changes in accounts payable and prepaid expenses	237	407
Difference between expensed and paid pensions	267	211
Currency (gains) losses not relating to operating activities	57	(18)
Change in other accruals	35	(1,073)
Net cash flow from operating activities	18,991	22,340

Value added tax is regarded as collection of tax on behalf of the authorities and reported net. Received dividends are included in line item Proceeds from other financial income .

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**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2005
Telenor Group**

Attributable to equity holders of Telenor ASA

	(1) Total paid capital	(1) Other reserves	Retained earnings	(1) Cumulative translation differences	Total	Minority interest	Total equity
(NOK in millions)							
Balance as of January 1, 2004 Restated according to IFRS(2)	29,311	(732)	9,084		37,663	3,420	41,083
Translation differences				(321)	(321)	(419)	(740)
Business combinations and increased ownership interests in subsidiaries		871			871		871
Equity adjustments in associated companies		62			62		62
Tax on items taken directly to or transferred from equity		(253)		(284)	(537)		(537)
Net income (loss) recognized directly in equity		680		(605)	75	(419)	(344)
Profit for the year 2004			6,093		6,093	1,320	7,413
Total recognized income and expense for the period		680	6,093	(605)	6,168	901	7,069
Dividends			(1,764)		(1,764)	(373)	(2,137)
Share buy back	(2,020)				(2,020)		(2,020)
Sale of shares, share issue, and share options to employees	59	16			75	3	78
Transactions with minorities in subsidiaries						(5)	(5)
Balance as of December 31, 2004	27,350	(36)	13,413	(605)	40,122	3,946	44,068
Total changes in accounting policy (IAS 32 and 39)(2)		661	(208)		453	8	461
Adjusted equity as of January 1, 2005	27,350	625	13,205	(605)	40,575	3,954	44,529
Translation differences				525	525	441	966
Business combinations and increased ownership interests in subsidiaries		1,829			1,829		1,829
Available-for-sale investments:		1,440			1,440	20	1,460

Valuation gains (losses) taken to equity							
Transferred to profit or loss on sale	(388)		(388)	(24)	(412)		
Cash flow hedges:							
Valuation gains (losses) taken to equity	(172)		(172)	3	(169)		
Transferred to profit or loss for the period	(13)		(13)		(13)		
Transferred to initial carrying amount of hedged items	209		209		209		
Equity adjustments in associated companies	1		1		1		
Tax on items taken directly to or transferred from equity	(459)	(12)	(471)	(1)	(472)		
Net income (loss) recognized directly in equity	2,447	513	2,960	439	3,399		
Profit for the period		7,646	7,646	1,488	9,134		
Total recognized income and expenses for the period	2,447	7,646	513	10,606	1,927	12,533	
Dividends		(2,595)	(2,595)	(171)	(2,766)		
Share buy back	(2,267)		(2,267)		(2,267)		
Sale of shares, share issue, and share options to employees	74	6	80	5	85		
Transactions with minorities in subsidiaries				1,419	1,419		
Balance as of December 31, 2005	25,157	3,078	18,256	(92)	46,399	7,134	53,533

(1) See note 36

(2) See note 37

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Dividends	2004	2005
Dividend per share in NOK paid	1.00	1.50
Dividend per share in NOK proposed by the Board of Directors	1.50	2.00

Total dividends of NOK 2,595 million and NOK 1,764 million was paid in June 2005 and May 2004, respectively.

In respect of 2005, the directors propose that a dividend of NOK 2.00 per share will be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on May 23, 2006, which is the date of the Annual General Meeting. The total estimated dividend to be paid is NOK 3.4 billion. Dividends will not be paid on own shares as of the date of the Annual General Meeting.

Equity available for distribution as dividends from Telenor ASA was NOK 13,259 million as of December 31, 2005.

Non-controlling (Minority) interests

	Minority share in % December 31, 2005	Minority part of net income 2005	Minority part of net income 2004	Minority interests in the balance sheet December 31, 2005	Minority interests in the balance sheet January 1, 2005	Minority interests in the balance sheet December 31, 2004
(NOK in millions)						
Kyivstar GSM JSC	43.5	827	588	2,348	1,255	1,255
DiGi.Com bhd	39.0	288	187	1,645	1,190	1,190
GrameenPhone Ltd.	38.0	219	410	648	528	528
DTAC/ UCOM	25.0/13.8	42		1,345		
EDB Business Partner						
ASA	48.2	89	111	856	788	788
Telenor Venture IV AS	49.0	5		155	60	52
Other		18	24	137	133	133
Total		1,488	1,320	7,134	3,954	3,946

The change from December 31, 2004 to January 1, 2005 was the implementation of IAS 32 and 39.

In the third quarter of 2005, Telenor sold 29.0% of the shares in the subsidiary Telenor Venture IV AS. During the fourth quarter of 2005, Telenor increased its economic stake in the previous associated companies DTAC/ UCOM. See note 1. In the fourth quarter of 2004, Telenor increased its ownership interest in GrameenPhone Ltd. In April 2004, Telenor increased its ownership interest in Kyivstar GSM JSC. At the end of December 2004, Telenor sold 20.0% of the shares in the subsidiary Telenor Venture IV AS.

Telenor Group

General information

Telenor ASA (the Company) is a limited company incorporated in Norway on July 21, 2000. The Company is subject to the provisions of the Norwegian Act relating to Public Limited Liability Companies. The Company's principal offices are located at Snarøyveien 30, N-1331 Fornebu, Norway. Telephone number: +47 810 77 000. The principal activities of the Company and its subsidiaries (the Group) are described under segments below.

From January 1, 2005, as required by the European Union's IAS Regulation and the Accounting Act, the Company has prepared its consolidated financial statements in accordance with International Financial

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Reporting Standards (IFRS) as adopted by the European Union (EU). IFRS as adopted by the EU differ in certain respects from IFRS as issued by the International Accounting Standards Board (IASB). However, the consolidated financial statements for the periods presented would be no different had Company applied IFRS as issued by the IASB. References to IFRS hereafter should be construed as references to IFRS as adopted by the E